

FINANCIAL TIMES TUESDAY MAY 19 1998

World Business Newspaper http://www.FT.com



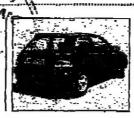
Russia How big a challenge is Lebed to Yeltsin? Page 18



GEC Alsthom Scrambling for orders as TGV business fades Page 22

Lawsuit alleges antitrust violations in

pattern of predatory business practices



Malaysia's Proton Looking for exports to pull through the storm Page 26

Shanghai Asia-Pacific giant in the making Survey, Pages 29-31

WORLD NEWS

Indonesia's army chief dismisses parliamentary call for Suharto to guit

Parliamentary leaders in Indonesia demanded the resignation of President Suharto. However, General Wiranto, Indonesia's top military officer, dismissed the demand. raising the threat of confrontation between the armed forces and civillans. Page 20; Catl to delay debt talks, Page 8

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UN moves on war crimes The United Nations is preparing to meet a world demand for human rights justice, with plans on the table for a permanent international criminal tribunal and discussions under way on a court to try genocide suspects from Cambodla.

Mideast peace still deadlocked The US failed to break the deedlock in the Middle East peace process when US secretary of state Madeleine Albright met Palestinian Authority president Yassir Aratat.

Food labelling row looms Brussels is heading for a clash with European Union members over labelling of genetically modified soya and maize. Page 11

Milosavic triggers crisis Yugoslav president Slobodan Milosevic orchestrated the dismissal of his prime minister and government, triggering a constitutional crisis that could lead to the federation's break-up. Page 3

Cook in Ankara talks

UK foreign secretary Robin Cook flies to Ankara today in a bid to end months of strain in Turkey's relations with Europe. Page 2

Paris mayor's wite questioned RPR, the Gaullist party founded as a vehicle for Jacques Chirac's presidential ambitions, suffered embarrassment when police guestioned the wife of Paris mayor Jean Tiben, an ally of Mr Chirac, as part of a corruption probe. Page 2

Strike threat at Air France French pilots' unions announced plans for a further strike at Air France next week in protest at a proposed pay cut. Page 2

Kohl rouses party

German chancellor Helmut Kohl won the enthusiastic backing of his Christian Democratic Union after pledging to reverse the party's slump in popularity and lead it to victory in the country's general election, Page 2

EU progress accelerates European Union members have stepped up the rate at which they adopt single market laws, the Commission says. Page 2

Greek wages deal Greece's Federation of Industry is to sign a pay deal with private sector unions which will keep alive the Socialist government's hopes of achieving year-end inflation of 2.9

per cant. Page 2 Egyptian police kill five militants Egyptian security forces shot dead four Islamic militants in a town 160 miles south of Cairo, police said. A civilian died in the crossfire.

Cambodia poli threat Cambodia's four main opposition parties threatened to pull out of the country's election unless conditions for a free and fair poll were

put in place. Page 8 Retirement a mystery Most Americans do not know that the retirement age for those now under 30 has been raised to 67, a Gallup survey shows. Page 6

Suez Lyonnaise and Fortis launch Belgian takeover bids

Two takeover bids totalling almost \$16bn were launched in Belgium resterday. Fortis, the Belgo-Dutch insurance and banking group, made a BFr409bn (\$11.2bn) offer for Générale de Banque. Simultaneously, France's Suez Lyonnels des Eaux unveiled a BFr178bn offer for the 36.5 per cent it does not already own of Societé Générale de Belgique. Page 21; Observer, Page 19

Worries about Russia's financial position and fears of a rouble devaluation forced a fourth day of heavy selling on the Moscow stock market. The benchmark RTS share index closed at 227.61, down 11.8 per cent. Page 21; Lex, Page 20

agram is considering proposals to float its Tropicana fruit juice business, and to sell its 11m shares in Time Warner, to finance its planned \$10bn acquisition of Dutch music and film company PolyGram. Page 21

Banco Central Hispano has stolen march on the Latin American franchises of its larger Spanish rivals Banco Bilbao Vizcaya and Banco Santander by developing a private banking strategy to service clients out of New York. Page 22.

businessmen François Pinauit, launched a full takeover bid for auctioneer Christie's International. having just bought 29 per cent.

The Anglo-Swiss financial services conglomerate created by the planned \$37bn merger of Zurich Group with the insurance and asset management arm of BAT Industries will incur exceptional charges of up to \$1.4bn. Page 22.

Olympic Airways faces a cash crisis after the Greek government's on lending to loss-making public

SPC, the Mexican telecoms company, has signed a letter of Intent with Lucent Technologies to set up a national telephone wireless network for \$700m. Page 23

stake in Salzgitter, Germany's second biggest steel producer it bought this year from industrial conglomerate Preussag. Page 22

company, is seeking shareholder permission to raise SFr1.5bn (\$675m) of extra equity to finance strategic acquisitions. Page 22

making mobile phones, laptop computers and vehicle catalysts has overtaken platinum. Page 21;

Portugal raised Es131.4bn (\$721.3m) from a global offering of 25 per cent of cement producer Cimpor. Page 22

AT&T announced a marketing pact with Internet service provider Yahoo! in an attempt to expand

Because of production difficulties, the Managed Funds in today's Finan-cial Times contain last Friday's data.

The tatest trends and data from more

Artems, the holding company of

Page 21; Comment, Page 27

suctor enterprises. Page 3

Lower Saxony will retain a quarter

Clariant, the Swiss chemicals

The price of palladium - vital in Commodities, Page 34

sales online. Page 23

World Equity Markets

than 50 national markets at a plance

WORLD MARKETS

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BUSINESS NEWS

US accuses Microsoft of being an illegal monopoly

By Richard Wolffe in Washington Microsoft, the world's largest software company, was yesterday sued by the US government for being an illegal monopoly in its bitter struggle with Netscape Communications, its internet software rival.

> Backed by 20 states the government accused Microsoft of a wide range of antitrust violations in a pattern of predatory business practices over several years.

> It asked a federal court in Washington for an immediate injunction to change Microsoft contracts with computer makers and internet service companies. Drawing on evidence from internal Microsoft memos, the US

government and 30 states sued the company for planning "an illegal conspiracy" with Netscape to divide up the market in internet browsers, which navigate the world wide web. When Netscape refused to go along with Microsoft's plan in 1995, the company used its

access to the marketplace, the government alleges. Joel Klein, head of the antitrust division at the US Justice Department, said: "Nothing we

or competing on the merits. What cannot be tolerated - and what the antitrust laws forbid - is the barrage of illegal, anti-competitive practices that Microsoft uses to destroy its rivals and to avoid

competition on the merits." At its heart, the lawsuit accuses Microsoft of abusing its monopoly in operating software to force other products on to consumers and computer makers.

The government argues Microsoft sought to crush Netscape when it realised that internet software could eventually undermine and replace its Windows operating system. in a statement, Microsoft said

the antitrust suits were "without merit" and vowed to fight them. Perhaps the most damaging evidence unearthed by the Justice Department is a series of internal memos and emails charting Microsoft's strategy to ieeze out Netscape.

Bill Gates, chairman and chief executive of Microsoft, is quoted in an internal email as offering Intuit, the software company, monopoly in Windows operating software to "cut off Netscape's \$1m of business "favours" in air supply" by blocking its rival's exchange for switching from the Netscape browser to Microsoft's. At a federal court in Washing-

ton, the government and states yesterday applied for a preliminary injunction forcing Microsoft are doing here will or should pre-to separate its browser from its Janet Reno. US attorney-vent Microsoft from innovating flagship Windows operating soft-general, said: "Microsoft has an



net Reno: wants to "keep field open to the next Microsoft"

ware. If Microsoft refuses, the injunction would force the company to include Netscape's products alongside its own.

The injunction, if granted, would also allow PC manufacturers the freedom to install any software they choose. Microsoft is alleged to have forced its browser on all new computers.

excellent record of innovation. But we want to make sure that the field is open to the next Microsoft, the next great innovator who can help improve our lives and our economy - if they are given the opportunity."

Book thrown at Microsoft, Page 6 Government vs Big Business and Editorial Comment, Page 19

Tax move to hit Europe bank accounts

By Simon Davies in London

The European Commission is to publish a directive tomorrow that accounts and securities held within the European Union by

Investment bankers claim the proposal could seriously damage European capital markets and in particular the eurobond

tax were shot down in 1989 after opposition from the UK and Luxembourg. The new draft recommends a minimum 20 per cent witholding tax. This is collected on behalf of national govern-

in another jurisdiction.

paid on all income from bank instead provide information to other European tax authorities about interest payments to EU citizens resident in their jurisdiction. Banks handling the interest payments would supply the information.

A UK Treasury spokesman said it would still not agree to any Previous proposals to introduce compulsory witholding tax, but a 15 per cent minimum savings would be willing to consider seriously any proposals based on information sharing.

Cliff Dammers, secretarygeneral of the International Primary Market Association, which represents international securiments by financial institutions ties underwriters and distribuholding the savines or securities. tors described the proposed mea-It is held by the governments sure as "outrageous". "It has

already paid tax on the savings markets and should be subject to because this has already been broad consultation, instead of agreed on December 1 [at a previ-However, the draft introduces just being rushed through. In the aims to ensure that some tax is an alternative. Countries can worst case, this could drive the euroboad inarket offshore." The Commission is anxious to

put the directive to EU finance ministers as soon as possible. The European Parliament must then be consulted and the measure needs unanimous support from finance ministers. Luxembourg has previously threatened to vote against the proposals, but has said it would approve them if they were part of a wider harmonisation of corporate taxation in the EU.

A Commission spokeswoman said yesterday: "We do not expect

unless investors prove they have enormous implications for the any opposition of principle ous finance ministers' meeting), but we will have discussions on the detail.

The moves are part of a push to tackle widespread tax evasion, which has been helped by fiercely protected secrecy laws in some European banking jurisdictions.

The document argues that by focusing on EU-based individuals, it will limit the effects on eurobonds. But individual investors still account for 20 per cent of bond holdings, IPMA said, and most of these are European.

Lex, Page 20

Cold water poured on instant noodle fear

Japan's makers of instant noodles have taken out newspaper advertisements to reassure the public that eating noodles will not expose them to potentially harmful synthetic

Chemicals in the polystyrene bowls in which most instant noodles are sold have been linked to lower sperm counts, genital abnormalities and even violent tendencies in young men. They may also contribute to higher incidences of certain reproductive cancers in women

The US National Institute of Environmental Health Sciences reported last month the bowls emitted endocrine-disrupting chemicals when they were exposed to bot water and oil.

The Japanese government has launched a study of the chemicals, known as environmental

Noodle sales have plunged after reports of the experiments. A telephone poll by the Japan Convenience Foods Industry Association earlier this month found that at least 30 per cent of consumers were avoiding cup noodles.

In the newspaper advertisements, the industry association disputes the fludings of the institute's tests. The association said the tests did not reflect normal use of the products. Other tests had not found that chemicals were released from the polystyrene packaging.

Japanese consumers normally eat 3.2bn portions of cup noodles a year in a market that annually turns over Y500bn (\$3,846m). They are a staple food in Japan, especially among young bachelors, students and salarymen, who pop into convenience stores for a bowl on their way home

instant poodles have never been seen as a healthy food, but most worries centred on excessive quantities of fat, salt and monosodium glutamate. Japan has only recently taken notice of environmental hormones, which have been widely discussed in the US and Europe for years.

Japanese manufacturers of reusable plastic tableware were forced to recall some plates and howls sold to schools late last year after higher than permitted levels of bisphenol A, another suspected endocrine disrupter. were found in their products.

Brussels and US end sanctions dispute

By Gey De Jonquières in London and Gerard Baker in Geneva

US and European Union leaders yesterday agreed a settlement of their dispute over US sanctions laws against investors in Cuba. Iran and Libya. The EU said the the agreement did not go far deal, as well as lifting threatened sanctions against Total, the French oil group, immediately cleared the way for other European energy companies to invest in Iran and Libya.

The agreement was endorsed by US president Bill Clinton, Tony Blair, the British prime minister, and Jacques Santer. European Commission president at a summit in London. Mr Blair said the deal was "at least a basis for a lasting solution" to the twoyear-old sanctions dispute and paved the way for closer US-EU

trade and economic co-operation. The intricate deal depends on Mr Clinton persuading the US Congress to amend sanctions legislation. He claimed yesterday

that the deal underpinned Con- ers of companies investing in gress' objectives when it passed the sanctions legislation against ated by the Castro government. Cuba, Iran and Libya. Last week a number of senators, most notably Al D'Amato, discipline on the use of illegally the principal sponsor of the legislation, urged Mr Clinton not to

nian pipeline project. A senior administration official said yes-terday Mr D'Amato and other opponents welcomed the news that European countries would take a tougher line with exports to Iran and Libva, but still felt enough. Officials also acknowledged that US companies would

Total had been investigated by the US state department since last autumn because of its involvement in a \$2bn gas project

Sir Leon Brittan, EU trade commissioner, said companies such as British Petroleum and Shell. which have been considering energy projects in Iran, could proceed without fear of being penalised. He called the deal "a highly satisfactory outcome".

Mr Clinton has undertaken to ask Congress to amend title IV of the Helms-Burton act, which authorises the US to deny entry visas to directors and shareholdassets in Cuba illegally expropri-The EU has accepted some US

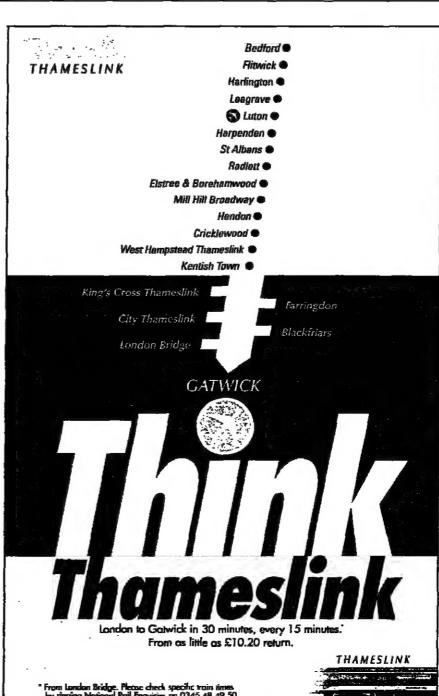
expropriated assets. grant a waiver of sanctions Companies welcome deal, Page 11 against the companies in the Ira-

demands for tighter international

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Fighting Kohl rouses his party faithful

Helmut Kohl won the enthusiastic backing of his Christian Democratic Union yesterday after pledging to reverse the party's slump in popularity and lead it to victory in the German general

election on September 27 . The 1,001 delegates at the party convention gave the chancellor an unusually long 10-minute standing ovation chanted "Helmut, Helmut" and cheered "Now we are off" after a two-hour speech in which Mr Kohl criticised the opposition Social Demo-cratic party and Gerhard Schröder, its candidate, and mapped out his priorities for

a fifth four-year term. With unemployment currently running at 11.4 per cent, Mr Kohl said "work for all" was his party's top domestic policy priority.

In Bonn, Günter Rexrodt, the economics minister, said first-quarter economic growth was between 3.5 per cent and 4 per cent compared with the same period last year. He predicted growth this year would be near the top of the 2.5-3 per cent range forecast for this

the recovery was not auto- research and development

destroyed if an SPD-led government came to power and "turned back the wheel of history" by reversing his government's supply sidereforms limiting sick pay. curbing pension costs and relaxing job security, he

Germany would not attract investment and create jobs without enacting

The convention delegates gave him a 10-minute standing ovation and cheered 'Now

we are off the comprehensive tax reform put forward by his government last year and

plocked by the SPD in the Bundesrat, the second chamber of parliament representing the states The chancellor promised to improve the business cli-

mate for small and mediumsized companies by helping But Mr Kohl warned that promote new businesses,

He signalled a new approach to social security in which unemployed people refusing to take jobs would have their benefits cut. In addition, he promised a sys tem to make low-paid work attractive by enabling social security recipients to take such work without losing all

Mr Kohl also promised education reforms to improve schools and universities and make Germany better able to compete in the "knowledge society of the 21st century By contrast, he accused

the SPD of wanting to turn Germany into a "leftwing republic". The developments in the state of Saxony-Anhalt, where the local SPD plans to govern with a minority administration "tolerated" by former communists, showed the opposition was not steering towards a centre but to the old

Mr Kohl was especially critical of Mr Schröder, accusing him of failing to support such historic developments as German unification and the European single cur-

Some of the most enthusiastic applaume came as the



Uphili battle: Helmut Kohl railles CDU members at their co -back against the SPD in the campaign for next September's election

issue of law and order, promising "no tolerance for criminals or acts of violence" and the expulsion of foreigners who abuse their status as

ests" in Germany. But his speech as a whole was combative without being strident. Although punctuated by frequent applause, it was rarely emo-

chancellor addressed the tional and often thoughtful. bach, 2 spa town near the German tax experts began. a three-day meeting yesterday to hammer out the latest estimates on public tax revemes, which are expected to rise this year but still fall short of expectations in key areas, Renters reports from

> Participants in the meeting, being held in Bad Gries-

Austrian border, played down reports of a new gap in tax revenues, pointing to

strong economic growth. Erwin Huber, Bavarian state finance minister, said he did not expect new estimates to deviate much from November's forecasts, which estimated 1998 tax revenues

Call for EU funds to mend code of

conduct

The head of the European industry body for regional development called yesterday for a code of conduct or regulate agencies and governments which ignore funding roles

Christian Saublens, director of the European Association of Development Agencies (Eurada), said the European Commission needed to enforce existing wasting by competitors.

"We have to have common rules at European level, and if people use EU money to attract an investment, that could not be to the detriment of another area already using EU money," he said. "You are just transferring money from one area to another, and as we are all European taxpayers we have a responsibility to make sure there's no duplication of money spent on invest-

In particular, Mr Sanblens wants the Commission to ensure agencies do not exceed funding cellings set for European grants, and to make national governments draw funding boundaries on the same lines as the EU so they do not distort the map

of more needy regions.

The problems are become ing more acute as competition for foreign investment increases and the EU prepares to admit new members from central and eastern Europe. Enforcement at EU level is difficult and the Commission can act only if a case is referred to it, though complaints can be generated by press reports or rival

ncies or companies. Mr Saublens was speaking at a Eurada conference in Cardiff for more than 300 delegates from the EU and Eastern Europe.

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Cook tries Turkish fences

Diplomatic Editor

Robin Cook, foreign secret ary of the UK, which holds the European Union's presitighter legal restrictions to dency, flies to Ankara today in an attempt to end months of severe strain in Turkey's relations with Europe.

Mr Cook will explore wave in which next month's EU summit in Cardiff can repair the political damage wrought at an EU summit last December in Luxemlaws more strictly to ensure | bourg. He also aims to pave the way for Turkish mini ters to attend a meeting next Monday of the EU-Turkish association council, a forum for regular dialogue between Turkey and the EU.

Omitted from the December summit's list of eligible EU applicants, Turkey took umbrage and snubbed an invitation to the EU's special Europe conference in March, which had been tailored as a consolation prize for Ankara.

Relations took a further dive with the EU's decision to start accession negotiations with the Greek Cyprict government of Cyprus, in spite of the refusal of the island's Turkish Cypriots to participate.

Greek Cypriot plans to deploy Russian missles on their part of Cyprus this summer have raised tensions. General Ismail Karadayi, Turkey's chief of general staff, flew to Moscow yesterday to try to block the missile sale. Auxious to soothe Ank-

ara's feelings, Mr Cook com-mented yesterday: "Turkey matters to us, and is part of the Europe we are building." The centrepiece of the EU's effort to put relations with Turkey on what Mr Cook called "a sound long-term tooting" is the Brussels Commission's new proposal

to widen the existing EU-

Turkish customs union to

include agriculture and ser-Ismail Cem, Turkish for-eign minister, is understood to have indicated he would attend the May 25 association meeting in Brussels. But last-minute Greek-Turkish rows have wrecked such meetings before, and Greece has a potentially blocking "reserve" on what Mr Cook can say on the EU's behalf to

Mr Cem next Monday.

Athens continues to yeto an Ecu375m (\$410m) package long set aside by the EU for Turkey to accompany the customs union.

"The most attainable objective of Mr Cook's visit is that he should at least leave Ankara with the understanding that everyone together should work for better EU-Turkish relations, and that includes Greece. said Ozdem Sandberk, Turkish ambassador to Britain.

Turkey has no chance of getting its money next Mon-day, UK officials said yesterday, but needs "to feel that progress over time on the nonev issue is possible" .

NEWS DIGEST

INTEREST RATES LIKELY TO BE STABLE

Poland encouraged by 24% jump in exports

Polish exports source by 24 per cent in the first quarter of this year despite an 8 per cent appreciation in real terms of Poland's ourrency, the zicity, since the start of this year. Figures from the central bank current account published yester day showed a 24 per cent rise in exports in the first quarter from the same period last year, to \$7.2bm, while imports grew more slowly at 17 per cent to reach \$10.4bn.

However, despite a modest 4 per cent increase in the trade deficit to \$3.2bn in the first quarter, the current account deficit graw by almost a third to \$2bn as repayments on Polend's Parls dub debt fell due at the end of March.

The ancouraging trade figures will for the moment calm offctals who have been arguing for interest rate cuts to ease for-eign currency inflows causing the zioty to appreciate. Rather, Poland's Monetary Policy Council (RPP) will continue to concentrate on reducing inflation - running at an annual 13.7 per cent last month, Salomon Smith Barney analysts said yester-day that in the light of the latest inflation figures Polish interest rates would remain high and continue to attract foreign capital inflows. Christopher Bobinsid, Warsew

GREEK WAGES

Unions to sign two-year deal

Greece's Federation of Industry (SEB) will today sign a guide-The wage agreement with private sector unions which keeps alive the Socialist government's hopes of achieving its yearend infletion target of 2.9 per cent.

The two-year agreement provides for nominal increases of 4,5 per cent this year and 2.8 per cent in 1999. An extra increase, due if inflation exceeds forecasts, would not be paid until 2000. This delay would assist Greece's effort to reduce inflation and the budget deficit to levels compatible with join-

Ing the European single currency in 2001.

Jeson Stratos, SEB's president, said yesterday: "We believe that sectoral agreements being worked out over the next few weeks won't deviate significantly from the guidelines."

The government has tightened incomes policy this year, with nominal increases for public sector workers being held to 2,5 per cent. Managers at state enterprises face dismithey award edictional increases. Kerin Hope, Athens

EMBARRASSMENT FOR RPR

Paris mayor's wife questioned

The leadership of the RPR, the Geutist party founded as a vehicle for Jacques Chirac's presidential embitions, suffered more embarrassment yesterday when police questioned the Paris mayor's wife as part of a corruption probe. Xavière Tibed, wife of Jean Tiberi, was questioned about en alleged false consultancy contract with the Essonne district council in the Parts region. Police also searched the mayor's

Paris home. The tudicial inquiry centres on a number of RPR officials. who are alleged to have used municipal payrolls to provide take employment to party workers in Paris and the surround-

ing region - in affect a disguised form of funding to the party. Mrs Tibert's involvement is highly sansitive since she is known to have been a tireless helper of her husband, who was picked by Mr Chirac to succeed him when he moved from being Paris mayor to the presidency in 1995.

The affair risks tainting Mr Chirac himself, it also follows the disruption of the city administration by a political row between could force a new mayoral election. Robert Graham, Paris

SINGLE MARKET LAWS

Adoption rate improves

European Union member-states have stepped up the rate at which they adopt single market laws, but some countries, especially in the Nordic area, are still showing faster progress than others, the European Commission said yesterday. The "implementation deficit" - the proportion of EU lews

that are not transposed into national legislation - fell to 18.2 per cent from 35 per cent in June last year. . Of the existing 1,368 single market laws, only 249 had not been turned into national legislation by all member states, according to a report presented by Mario Monti, single market commissioner, to EU trade ministers.

However, the report shows that some countries, notably Denmark, Finland, Austria, Sweden and Germany, have made better progress then others, including Belgium, Italy, Portugal, Luxembourg and France.

.The Commission reported instances of "worrying delays" in implementation. Some rules due to have been adopted in ... 1993 are still pending. There has also been an increase in national technical rules resembling trade barriers.

FRENCH PILOTS

New pay strike warning

Three French pilots' unions announced plans yesterday for a new strike on May 24-25 to protest against a proposed pay cut by management.

The three unions, representing about 14 per cent of Air France's 8,200 pilots, earlier this month staged a one-day The unions went Air France to limit pliots' flights to four a

day and to drop the lower salary scale paid to new pliots "Management must regain its sense of reality," the three

unions said in a statement yesterday.

The unions said work conditions were becoming "unbeatable and were leading to a degradation of service on short and medium-length fights. The unions have also threatened to disrupt the June 10-July 12 football World Cup if their demands are not met. AP, Parts

RUSSIAN PIT STRIKE

Miners block Trans-Siberian

Striking Russian coal miners blocked a stretch of the Trans-Siberian reliway for a fourth day yesterday, as a regional governor warned they were prepared to expand their protests.

Miners in the town of Anzhero-Sudzhensk have blocked the railway, diverting trains on to a route that is hundreds of kilometers longer. Aman Tuleyev, the governor of Kennerovo, a coal-mining region in central Siberia Tuleyev, said that miners from neighbouring regions planned to block more railways, which could paralyse train movement between Moscow and

the east of the country. Miners' protests also shook several other regions ye in the Perm region in the Ural mountains, strikers blocked a highway connecting the cities of Kungur and Solikamsk, and helited traffic on the Northern Caucasian railroad near the southern city of Shakhty.

Dozens of mines throughout Russia have been shut since early May, when miners went on strike to demand back wages which sometimes run for more than six months. The government estimates they are owed a total of Rbs3.7bn (\$600m). AP, Moscow



AS INVESTING

Ageing populations. Diminishing retirement funds. No wonder the way

BECOMES INCREASINGLY

institutional investors work is changing. They're relying on complex COMPLEX, CHOOSING

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strategies. They're looking to alternative ways to generate better returns.

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STATE STREET

Milosevic risks final Yugoslav break-up

Slobodan Milosevic, Yugoslavia's president, orchestrated the dismissal of his prime minister and government yesterday, triggering a constitutional crisis that could lead to the final break-up of the federation.

Radoje Kontic, a native of Montenegro, which with Serbia is one of Yugoslavia's two constituent republica, lost a vote of confidence as prime minister in the upper house of the Yugoslav parlia-

He had fallen out of favour with Mr Milosevic by opposing his plan to impose a negro last January as a way of blocking the inauguration of the tiny republic's new sident, Milo Djukanovic,

Mr Milosevic has refused to recognise Mr Djukanovic's

reformist policies have won loyal to Momir Bulatovic, him promises of financial aid the former Montenegrin from western governments, said in an interview published yesterday that Mr Milosevic would become "Yugoslavia's grave-digger".

Mr Djukanovic has repeatedly threatened to lead Montenegro to independence if Mr Milosevic persists with his illiberal, nationalist policies, which have kept Yugoslavia in the bad books of estern countries.

Montenegro was alone nong the six former Yugoslav republics in remaining loyal to Serbia and staying in the federation during its violent disintegration in the early 1990s. Although its population of some 650,000 is less than ? per cent of Serbia's, Montenegro commands disproportionate powers in the federal Yugoslav assem-

president defeated by Mr

on May 31 that will determine the republic's allocaeral Yugoslav assembly. Analysts predict Mr Djukanovic's ruling party will narled by Mr Bulatov

Diplomats said Mr Kontic's dismissal would give Mr Milosevic greater leverage

Mr Milosevic received a further boost yesterday with the news that the US and its European allies had decided not to proceed with a potentially crippling investment ban on Serbia. The measure was



Mr Milosevic into seeking a the Kosovo Albanians, for political settlement to the growing conflict with the ia's province of Kosovo. Mr Milosevic met Ibrahim

the first time last Friday. Negotiating teams from the

osevic to shore up his wan-Rugova, political leader of ing powers, the federal com-

refused to grant broadcast dent radio stations and 17 radio station that did get a

munications

Unresolved is whether

• The ECB's internet address www.ecb.int. The site is rently only mirrors the site of the European Monetary

board when formulating pol-

national governors will take the pan-Emu view when they face genuine policy

already operational, but cur-Institute, the ECB's forerun**GREECE OLYMPIC FACES RESTRUCTURING**

Airline hit by move on loan guarantees

Olympic Airways, the struggling Greek state carrier, faces a cash crisis after the Socialist government's decision to end state guarantees on lending to loss-making public sector enterprises. The airline has become a test case in the government's effort to accelerate structural reforms so that Greece can qualify for membership of the European single currency by 2001. The economy ministry says that if the current restructuring plan fails. Olympic will have

to shut down. Olympic last week obtained its first loan on commercial terms, raising Dr4hn (\$13m) from two statecontrolled banks to pay salaries for its 6,400 staff. Revenues declined sharply in April because of strikes staged by pilots and cabin crews in protest at the cost-

cutting plan. Company officials said 3m more was urgently needed to meet payments due on six leased Boeing 737 aircraft, which are to handle additional flights during the

tourist season. Olympic has used up much of its spare cash on paying benefits to more than 500 staff who chose to retire rather than accept a three-

year pay freeze. "Olympic is being asked for the first time to pay mar-

eral," said an-official at National Bank of Greece, the state-controlled bank which handles the bulk of lending to the public sector.

negotiations on a Dr20bn medium-term loan for Olympic in which international banks would participate. It would cover early payments on new aircraft which are due to be delivered later this

The airline is relying on increased cash flow during the summer to keep flying. of ground handling for charter flights to the Aegean islands are set to rise, but bookings for Olympic flights have sunk to an all-time low, according to travel industry

Olympic's survival will depend on how quickly Greece's transport ministry ment with the European Commission on providing a Dr35bn capital injection and state guarantees to finance new aircraft purchases.

The Commission agreed a rescue plan for Olympic in 1994 but successive Greek transport ministers failed to The proposed capital increase, as well as \$375m in state guarantees for fleet renewal, have remained froket rates on its borrowing zen for more than two years.

Holding the line against national interests

It is now only a matter of days - maybe two weeks until the formal launch of the European Central Bank. The six nominees to the ECB's executive board seem

together with the 11 national as a whole.

the 17-strong governing ky with a view to the euro council, the ECB's primary area as a whole and without decision-making body. This governing council is responsible for setting interest rates in the Emu area.

One of the potential weaknesses of the new arrangeto agree on the broad out- national coalition building: to the detriment of the group

Together, they constitute treaty, the ECB must set pol-

prejudice to countries or regions. The monetary or inflation targets should be those of the zone as a whole.

The national governors' majority could make collaments is the possibility of sion tactics feasible, although there is no indicalines of policy. But one of Like-minded central bank tion that this would happen, the unresolved questions governors might collude to especially as economic conpush their national interests ditions are fairly convergent. But the system does not appear to have sufficient Under the Maastricht safeguards, against such



over 10,000 staff each, compared to 500 at the ECB. Their economics depart-

insiders are confronted with pean System of Central Banks 11 outsiders stand egainst only six insiders. Furthermore, national cen-

of the Bundesbank, last tral banks are backed up by week tried to reassure administrative observers that the Bundes-

ments are a formidable

sources of data and economic analysis. National statistics are of higher quality than European statistics, Hans Tietmeyer, president

machines. The Bank of bank's council already took

Private sector pushes for right to print new euro notes

But banknote production looks like staying in the hands of state-controlled printers, writes Peter Marsh



with question

paga eves

rency, a battle is devaloping over how far the private sector will be allowed to compete for orders for print-ing the estimated 10bn newbanknotes which will be

of Britain and Giesecke & Devrient of Germany, are lobbying to have a bigger share of the estimated \$600m business, the biggest banknote printing project ever.

One of the ironies of the euro scheme, which is supposed to promote a freer and more transparent market around the continent, is that the production of the notes themselves looks like being settled behind closed doors and without a public tender.

Banknote printing is one of the last protected markets in Europe," said Tim Rothwell, a printing analyst at Greig Middleton, a London "It seems stockbroker. unlikely that the bureaucrats at the European Central Bank will be motivated by the best interests of tax-

The ECB, which is taking over the reins of its predeessor, the European Monetary Institute (Emi), will decide on the final designs for the euro banknotes, and the printing arrangements

But while the Emi says that these matters are still oper for discussion, most observers expect that the bank will give virtually all the orders for printing the notes to the European Union's state-controlled

monetary union starts on January 1, will become part of the European System of Central Banks. They print 80 per cent of the banknotes currently produced by the

"Can you imagine the Banque de France falling to organise things so that its own printing works mis Two companies, De La Rue out on the [euro] contracts?" asks one European banknote

industry specialist. It is expected that the euro orders will be placed from early next year. A large stockpile has to be ready in 2002, when they are due to

replace existing hanknotes. The state dominance of banknote printing in Europe has for years irked De La Rue and G&D, which are by far the two biggest private sector players in banknote

minting worldwide. Between them, they account for about threequarters of the world's \$400m a year "open" banknote printing market, which is about 85 per cent of the total and excludes those notes made by state-owned

prognisations. Both companies have been putting their case to the Emi for a greater share of the euro business, arguing that private sector efficiencies could significantly reduce the costs of printing. They argue that their international experience since the 1860s - which is when both companies started banknote printing - is enough to cope with security issues impor-

tant in this type of work.

Manfred Beck, head of banknote printing at G&D, says that the flexible shift working at G&D's German plants in Munich and Leip-

The EU has 18 such organ- sig could lead to worthwhile isations, answerable to the savings. John Burbidge-national central banks King, De La Rue's commerwhich, once economic and cial director says that putting at least some of the euro contracts out to public tender would be "reasonable

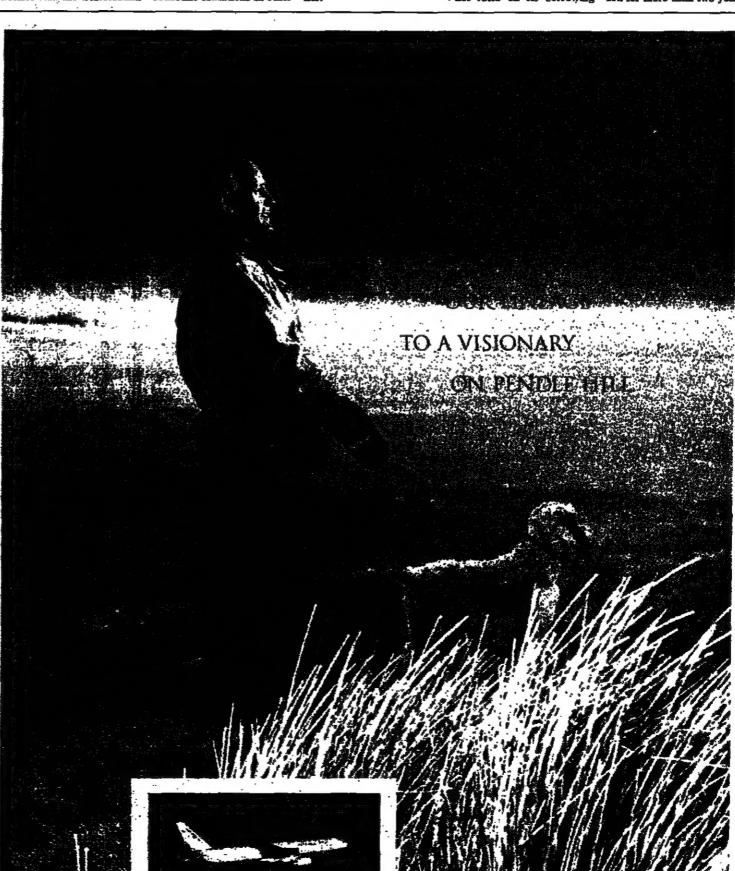
De La Rue argues it has plenty of spare capacity at its five print works around the world, in Britain, Malta, Singapore, Kenya and Sri

One London-based analyst estimates that private sector flexibility expertise could easily knock 10 per cent off the printing costs for the euro, with no loss in quality. European central banker said he had some sympathy with the views of the private sector organisations on the grounds that some state-owned printing works were not particularly

All the EU countries with the exception of Portugal and Luxembourg, which both use De La Rue to make their notes - have their own state-controlled printing works. Germany has gon further than most EU nations in involving the private sector. Printing the country's banknotes is split between G&D and the Bundesdruckerel, a public com-

pany in Berlin. G&D and De La Rue are however, hoping for changes in the next few years. Govsider the logic of keeping open all the state-controlledprint plants once Emu is up

The two companies are thought also be quietly hop-ing that the effort to bring out the 10bn euro notes in time for 2002 will run into technical problems which case they might be called in for a bigger share



New offer in pay-TV row

By Raiph Alkhai in Bonn and Samer iskandar in Brussels

Kirch and Bertelsmann, the German media companies. try's regional cable compation of their proposed digital pay TV venture as part of efforts to avoid the European Commission blocking

The latest concession, proposed to Brussels last week, appears to have raised the chances of the project winning approval. A ruling by the Commission is due by

revised plan as "a step their own customers. But

in the right direction". Premiere would also be man-The project involves folding DF-1, a loss-making digital pay-TV company owned

by Kirch, into Premiere, a have offered to let the coun- successful analogue subscription service owned by nies compete in the distribu- Kirch and CLT-Ufa, the Luxembourg-based broadcasting group in which Bertelsmann has a 40 per cent stake. The revised plans seek to

overcome worries by Karel Van Miert, competition commissioner, about the new venture creating a dominant group in the German pay-TV market. Regional cable oper-ators could offer Premiere alongside their own services Brussels described the or on particular terms to

keted directly.

The companies are also believed to be ready to sell a stake in Beta Research, the commany that controls the technology for decoder boxes necessary to view digital

Meanwhile, Otalo, one of Germany's new telecoms companies which also has 1.6m cable customers, has submitted proposels to Brus-sels under which a consortium would link up with Deutsche Telekom - the partly privatised telecoms giant also involved in the

the Rolls-Royce plant in the Pennines. Here, Gerry and his colleagues revolutionised jet engine technology by making engine fan blades stronger yet lighter. This technology was first launched on Boeing planes and when you fly a Boeing 777 today, you can thank Gerry's team for the smooth but powerful take-off. Boeing has

From Pendle Hill, Gerry Fitzpatrick can look down on

been working with European experts like Gerry and their companies for over 30 years. For one simple reason: we want to work with people who are best at what they do. Of course, building an airplane is a massive enterprise. It takes teamwork on a grand scale. Many individuals, many companies, many countries. But working together, we can do almost anything.





Alfred Kokh, a former deputy prime minister who has been caught up in one of Russia's highest-level corruntion cases since the collapse of communism, says he is the target of a politically motivated witch-hunt.

This is no less dangerous than the events of the Brezhnev era." Mr Kokh said in a telephone interview from New York. "It is a night-

Mr Rokh, whom Moscow prosecutors charged this and Victor Chernomyrdin. month with embezzling state property, said communistdominated law-enforcement agencies were using their power to mount a covert attack against Russia's

"The procuracy is taking over the functions of government. They are entering the political process," he said. The procuracy and its cadres have not changed

since the communist era. The prosecutors simply hate us. They are communists."

its attempt to exert tighter

control over the central

hank and shelved its propos-

als until after national elec-

Miroslav Maxon, finance

had withdrawn from its

agenda an amendment pro-

posed by the government to

bank we are working on a

complex revision of the cen-

tral bank law, but no such

legislation will be approved

during the current govern-

ment's term in the office,"

Together with the central

tions in September.

distributed 21 apartments to government officials, including himself. The charges carry a maximum penalty of

Mr Kokh, the former head of the state privatisation agency, acknowledged that government money had been used to buy 21 Moscow apartments for himself and fellow civil servants.

However, he asserted that the deal had been authorised by Anatoly Chubais, then a senior government official. then the prime minister. Mr Kokh said the apart-

ments, including his own three-bedroom apartment in the heart of Moscow, were a legitimate remuneration for reformers who worked hard on low government salaries. He believed that if he returned to Russia, he would risk being arrested. Nonethe less, he said that this week he planned to come back to

versial book. Last year Mr Kokh was Moscow prosecutors allege paid \$100,000 for the book, should be a loss."

eludes tighter controls

eign investors as Slovakia is

launching the first tranche

The government's propos-

als would have let it appoint

half the bank board mem-

transferring approval from

the board to parliament, and

force it to increase its financ-

The proposals were widely

viewed as an attempt to

tight monetary policy before

the elections. The policy has

made financing the govern-

ment budget deficit expen-

of a \$1bn eurobond.

ment budget deficit.

The Slovak government and outside parliament, but

admitted defeat yesterday in also the need to reassure for-

minister, said parliament bers, control its budget by

change the central bank law. ing of the growing govern-

The shelving of the pro- sive, with domestic yields of

Moscow to launch a contro-

sia's privatisation drive. The Swiss company which pur-chased the book rights had connections with Oneximbank, a powerful Russian financial group which rivals alleged Mr Kokh had favoured during the privati-

sation process. Mr Kokh said that at the time he sold the book rights, he was unaware of the links between the Swiss trading company and Oneximbank However, he insisted that, even had he know of a con nection, there would have been no impropriety. "Let us say, for the sake of

argument, that Oneximbank itself paid me the bonorar tum directly, although that was not the case," he said. "Even if it were so, what would be the problem? ... think a bribe is if you do something for me and I pay you money for it. That is a bribe. But those people who supposedly paid me a bribe are making a profit [on my book! How can it be a bribe

seek financing abroad.

In its defence, the bank

had warned that the propos-

als would drive up inflation

and weaken the currency. Its

fears were echoed by credit

rating agencies such as

Earlier this year the gove

ernment changed tack after

opposition from within the

coalition and began negotia-

In an interview then,

Vladimir Masar, bank gover-

nor, said the proposal to con-

now dead, but discussion

was continuing on the other

proposals. "I think there is a

ting with the bank.

if it makes them a profit? It Slovakia's central bank and Bosnia. The diasnora's impact is

> The diaspora's influence is expected to grow, thanks to Armenia's newly elected president, Robert Kocharian, who has promised Armenians living abroad dual citizenship and a greater role than the previous president

> live here or abroad, have to feel like fully fledged citizens," Mr Kocharian said in an interview after the elections. "It's important we create the conditions for the diaspora to participate in business here."

It is not just the large protions from Armenians

Armenian diaspora carries some clout

Though many of them are

small investors, buying up privatised cases and restau-

rants, the effects are visible

Thanks to Watche Manu-

and the examples numerous.

gian, a British multi-million

aire who put up most of the capital to establish a branch

of Midland Bank, Armenians

have western standard bank-

ing lacilities and will soon

have an insurance company.

Armenia's foreign cousins

bring something more valu-

able than money: they intro-

business experience in a

form easier to grasp because

Ultimately, it is the

and energy that have the

most direct effect. Nins Hov-

nanian, a wealthy New York

Armenian, opened a small

workshop in Yerevan three

years ago for her line of

furnishings which she then

exports to the US. The deci-

sion to come here. Ms Hov-

nanian says, was only partly

to have the work done here

rather than in the US," says

Ms Hovnanian, who employs

work and embroidery on her

"It's much cheaper for me

designer clothes and home

from a familiar source.

smaller investi

financial.

The former Soviet republic is now the third largest recipient of US aid per capita. writes Selina Williams in Yerevan

rmenia's highway from ahroad that make a differ-Athe borders to ence About 35 per tent of Nagorno-Karabakh is foreign investors in Armenia oddly enough just that - a are from the diaspora. smooth, unpotholed and safe road with signs marking hairpin turns, and barriers

on steep curves. · · ·

The \$10m road, an anomaly in a region of battered and frequently unusable thoroughfares, was funded by contributions from the Armenian diaspora, an estimated 5m Armentans living. ahroad, and is testimony to their power to redraw the map with their significant financial and political sup-

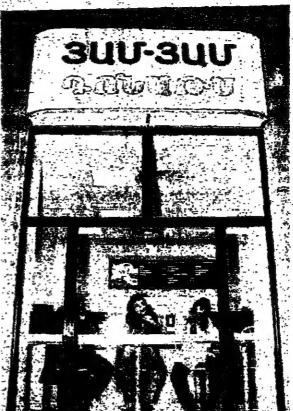
Without the diaspora, no one would know or care about Nagorno-Karabakh or Armenia: it would have become just another former Soviet republic with no prospects," said Arki Vartanian, acting director of the Yerevan office of the Armenian asembly of America.

The organisation has lobbied the US Congress on Armenian issues so success fully that Armenia is the third largest recipient of US aid per capita after Israel

felt throughout Armenia, a country of some 3.5m, and is visible in every sphere, from aid to business to politics. five people to do the bead-Last year, Armenia received over \$350m from the diasdesigns. Her employees earn pora, some \$100m more than over \$400 a month, a in 1996 and \$180m more than princely sum in this country Armenia received in US aid.

where average salaries are "But cheap production is here," says Ms Hovnanian. who plans to sell her New York penthouse and buy a flat in Yerevan. "I feel so comfortable here, as if I'm at home and surrounded by "Armenians, whether they

ike most Armenians from the diaspora, Ms Hovnanian's grandparents fled what was western Armenia, now eastern Turkey, after the 1915 genocide wiped out some 1m people. ects funded by contribu- The trauma has left its mark on subsequent generations



Ruben Mangasaryar/Patike

tective of all Armenian terri- after ruling out compromise Nagorno-Karabakh, the mainly Armenian populated region within oil-rich Azerbaijan and the scene of a sixyear war for control of the territory.

Diaspora money, often funnelled through the nationalist political organisation not the only reason to be Dashnaktsutyun, provided crucial support during the war between Nagorno-Karabakh and Azerbaijan. Many Armenians living abroad flew into the region to help their compatriots.

Many of the diaspora were later scared off after the previous president Levon Ter-Petrossian, outlawed the Dashnak party, an organisation with enormous clout abroad, three years ago, and imprisoned the leaders on charges of terrorism.

Mr Kocharian, 43, has been quick to embrace the power

and made them fiercely pro- of the diaspora, especially particularly on any Karabakh peace deal, a stand that will probably cut the country out of any potential pipeline deals and further isolate Armenia from its neighbours and natural trading partners Turkey and Azerbaijan

One of Mr Kocharian's first moves as acting president was to free the imprisoned Dashnak leader, a signal well received by the diaspora. Within a few days Rick Kerkorian, the USbased multimillionaire, announced a \$100m fund for

Armenia.

"Kocharlan's definitely been cultivating the diaspora," says one western diplomat. "He obviously believes the only way to make Armenia prosperous is by attracting foreign investors. They won't come here unless they have a vested interest in the place."

Brussels to spur movement of goods

By Samer Iskandar and Michael Smith in Brussels

voted unanimously in favour of new single-market logisla tion yesterday, removing obstacles to cross-burder trade aroung members.

The agreement, in esponse to incidents such as the recent strikes by French lorry drivers, gives the European Commission wider powers to demand that member states take "necessary and proportion-ate measures" to remove such obstacles.

The French strikes of 1996 and 1997 paralysed the French road network and caused heavy losses to road hauling companies and non-French exporters whose products were transported through France.

Under yesterday's resolution, member states undertake "to do all within their powers... to maintain the ree movement of goods and to deal rapidly with actions which seriously disrupt the free movement of goods".

Requests by the Commis sion for action against disruption will have to be answered by the member state within five working days. Within this time limit governments must tell the Commission - and other member states - of the men sures taken to remove obsta

The text, however, is a toned-down version of proposals put forward last year by the Commission. Several states argued that these were incompatible with national laws protecting workers' right to strike.

The final agreement says intervention must not "restrict or adversely affect... the right or freedom to strike as recognised in the member states".

Separately, ministers made progress towards reaching agreement on a draft resolution for a European company statute that would enable multinational companies to set up a single



INVESTING IN AUSTRALASIANA NATURAL RESOURCES CONFERENCE 98 A Regional Mining Investment Summit

posals reflects strong domes-tic opposition both inside has led the government to

soften the central bank's trol the bank's budget was

Moody's.

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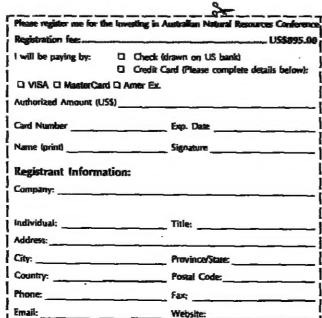
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NIOC shall hold a seminar in London for presentation of the project on 4 June 1998 at:-

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Companies interested in this project may contact the following offices:-NIOC Central Building Taleghani Ave Tehran, Iran 009821, 646 7432

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NOTICE TO SHAREHOLDERS OF

009821 646 4281

MLH REALTY INVESTMENTS VI N.V.

LEGAL NOTICES

Investments VI N.V. (the "Company") is hereby given. The meeting is to take place at 10:000 a.m. on May 29, 1886, at the registered office of the Company, 14, John B. Gorptawetg, Curação, Natherlands Artifles. The agenda of the meeting is set forth below.

AGENDA Annual Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

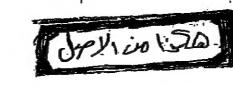
ont by Board of Supervisory Directors on the course of business of the appay and on the administration conducted during the Secul year ended

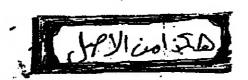
Ofractors. Report by the Board of Managing Directors on the course of business during the fiscal year ended December 31, 1987.
Presentation of the Net Result of the fiscal year ended December 31, 1987.
Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the fiscal year ended December 31, 1987 and see presented in the report of the accounting time of Email 8, Young LLP deted May 13, 1988.
Discharge and subsequent re-election of the Board of Managing Directors.
Belaction of Independent resident.

archolders, by executing the subscription agreement for their shares have sculed a discretionary printy in favour of Yvomante Corporation N.V., thouting Yvomante Corporation N.V. to vote the investor's chares. This pay the toucled either personally at the General Meeting of Shereholders by written notice to Yvomante Corporation N.V., 14 John S. Gorstaweg, areas, Netherlands Artilles, received prior to such meeting. Shareholders we the opportunity to instruct Yvomante Corporation N.V. as to the voting of eir states by writing to Yvomante Corporation N.V. at the above address.

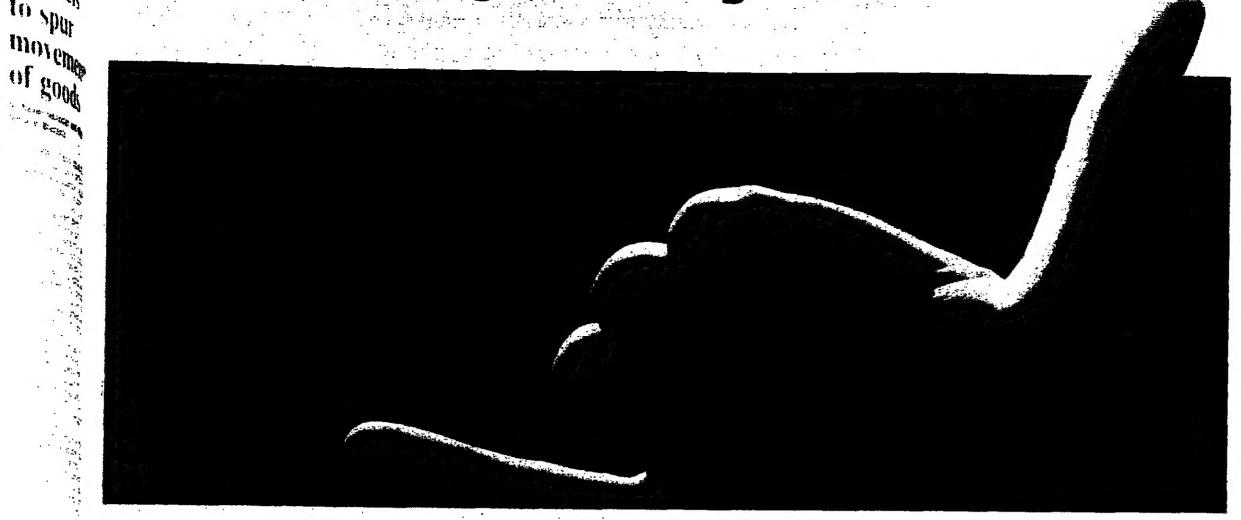
MLH REALTY INVESTMENTS VI M.V. By: MeesPierson Trust (Curação) N.V. Managing Director







Making strengths stronger.



We already have the edge. Now on the way to the No.1 position in Europe.

The company.

to spor

Mannesmann operates in Telecommunications, Engineering, Automotive and Tubes & Trading. All sectors are consistently managed with a value-driven approach. Our yardstick for measuring value creation, the return on gross operating assets, reached 10.3 per cent in 1997. We have committed ourselves to reach the 15 per cent mark in the year 2000. Our medium-term objective is to reach a 20 per cent return.

Telecommunications growing across borders.



Thanks to D2, Arcor and our participations -

Omnitel and Infostrada in Italy, and Cegetel in France - we're well on our way to becoming the leading private telecom provider in Europe. In digital mobile telecommunications, D2 is already market leader in Germany, Today, the Telecommunications segment generates: the Group's biggest earnings contribution.

Your advantages.

With Arcor and D2 we aim to offer all the advantages of an integrated communications company and are already realizing marketing and cost synergies for the benefit of our customers. Arcor runs a high-performance, full coverage wireline network, reaching the heart of every city

in Germany. Building on the strength of D2, Mannesmann has consistently exploited the opportunities of today's Information Age. Our aim? To further sharpen our European edge.

Engineering -

a top place in the world market.

With Mannesmann Demag, Mannesmann Dematic, Mannesmann Rexroth and Krauss-Maffei, we rank among the world's leading suppliers in mechanical engineering. Mannesmann Engineering is No.1 in hydraulics, material handling and plastics machinery. We aim to optimize our product portfolio to enhance profitability and secure future growth.

Automotive -

making cars more intelligent.

VDO and Sachs are innovative

partners to the automotive indus-

try. Sachs ranks among the leading global suppliers of chassis. and powertrain components and systems. VDO is SACHS recognized as an expert in the fields of integrated electronic information and control systems. Through its acquisition of Philips Car Systems, VDO with its new Car Communication division is poised to become one of the

world's premier providers of integrated information, navigation and traffic telematics systems.

Seizing every opportunity to boost

current value, we aim to forge ahead with the internationalization of our Automotive sector and to strengthen our systems expertise.

Mannesmann's strengths.

- Strong commitment to value driven management.
- Telecommunications:
- German market leader in digital mobile telecommunications.
- Leading private integrated provider in European telecommunications.
- Automotive and Engineering: Outstanding global position,

Tubes & Trading effective partnership strategy.

The Tubes & Trading sector produces and markets steel tubes for every application. In order to bolster our market position and improve our cost base, we have been incorporating all major product areas into cooperative alliances since the early nineties. The latest and most significant step in this direction is our joint venture with the French group Vallourec for seamless tubes.

Mannesmann – working for your future.

http://www.mannesmann.com





The US software giant has been told to:

Stop 'exclusionary and restrictive' practices; ☐ Remove 'competitive shackles' on PC manufacturers; and ☐ Drop 'exclusionary' agreements with internet service providers and online publishers

The US Justice Department and 20 US states Columbia charged in their antitrust lawsuits yesterday that Microsoft, the world software leader, had engaged in anti-competitive and exclusionary practices".

maintain its monopoly in ments with the largest personal computer operating online services, such as systems and to extend that monopoly to internet brows-

complaint alleged that: • In May 1995, Microsoft executives attempted to persuade Netscape Communications, a pioneer of internet software, not to compete with Microsoft and to divide the browser market with Microsoft making software for users of Windows and Netscape becoming the sole supplier of browsers for non-Windows computers. Netscape refused to partic-

 Microsoft forced personal computer manufacturers to install its browser, Internet Explorer, as a condition of obtaining licences for the Windows 95 operating sys-

 Microsoft now intends to tie licences of its Internet browser software to its new Windows 98 operating system, the successor to Win-

 Microsoft is misusing its Windows monopoly by requiring PC manufacturers to agree to conform to a uniform "first screen" specified

This determines the images that all PC users see when they turn on their restrictions forbid any changes that would remove from Microsoft's browser or add to the competing software in a more prominent

 Microsoft has entered America Online, as-well as

The Justice Department We believe these lawsuits are without merit and will hurt consumers,

Microsoft said.

return for promoting these services on Windows, these companies have agreed not promote Netscape's vser softare.

Although Microsoft has sought to modify some of these agreements the modifications are themselves restrain competition, the Justice Department said.

The antitrust regulators sought an immediate court order forcing Microsoft to turned on. stop these alleged "exclusionary and restrictive' Joel Klein, the head of the

could be obtained in time to "give consumers greater choice in the near future".

ney-general, said: "Consumers and computer manufacturers should have the right want installed on their personal computers. We are acting to preserve competition the computer software industry."

Regulators did not attempt to obtain an order halting ipments of Windows 98.

This, they said, would have limited consumer choice. Instead, the Justice Department demanded that: Microsoft either remove its own internet browser from Windows 98, a new version of the Microsoft PC operating system. Alternatively. Microsoft could distribute with each copy of Windows 98 a copy of Netscane Communications' rival internet browser.

 Microsoft end its practice of forcing PC manufacturers to install the company's internet browser as a condition of installing Windows on their products. Users should have a choice of browsers.

Microsoft should remove the "competitive shackles" placed on PC manufacturers that prevent them from controlling the "opening screen" that appears when a PC is

 Microsoft must drop "exclusionary" agreements with internet service providers, online services and Justice Department antitrust internet publishers that division, said the injunction

in addition, the states charged that Microsoft had leveraged its market power to extend its hold over the market for business applica-

makers to install Microsoft Office, its range of business allege in their lawsuit Microsoft internal memos

tigation, were quoted throughout the complaint. The government argued that these documents demonstrate that Microsoft believed it could not win the "browser war" with Netscape through competition on the merits of its product

and instead aimed to use the

Windows monopoly to "tilt the playing field". For example, Microsoft's Christian Wildfeuer wrote on in February 1997: "It seems clear that it will be very hard to increase browser market share on the merits of IE4 [the latest version of Microsoft's internet browser alone. It will be more important to leverage the OS [operating

system] asset to make

people use IE instead of Nav-

In a statement from its Redmond, Washington, headquarters. Microsoft said the antitrust suits were "without merit" and vowed to fight them in court. "We believe these lawsuits are without merit and will hurt



Brussels gives way for 'faster' JS investigation

yesterday said it was cooperating closely with the US Justice Department's investigations of Microsoft, Samer Iskandar reports from

etition authorities do not plan to take any separate action. A Commission official said the Justice Department was in a "better position" to deal with the issue.

If Microsoft had broken any undertakings regarding the US could act much faster than the Commission as this would constitute contempt of court in the US.

cumbersome, he said. After an investigation the

Commission could issue a mal condemnation - paving the way for a fine and possibly halting distribution of the software in BU conntries. This could "take

The Commission was rely ing on Microsoft having "the common sense" to apply in Europe any measures agreed with US anti-trust authorities, he

Under EU law the Commission can investigate the conduct of non-EU companies with large sales in EU

entireus: lescone, Microsoft screes to modify its sentracts with PC nes. Attenuet wins customion that it is not prohibited from

Age TRES. Compart decree rabled by a federal cour

act 1996 Justice Department starte investigation of Micro

Dec 1907-Court himse interction facing Microsoft to

'High rate of ignorance' over US social security

Most Americans are ignorant about the social 67, according to a Gallup sur- cial to any long-term soluvey to be published today by Paine Webber, the New York-based brokerage.

The survey is to be released before today's publication in Washington of a "21st Century Retirement Plan" by the National Commission on Retirement Policy, a bipartisan committee of legislators and industry

The plan is expected to the ages, and that the group call for a further increase in the retirement age to 70, and for those above and below for employees to be required to pay a part of their payroll tax for social security into individual investment

Donald Marron, Paine a member of the committee. said that without "signifisocial security security was managed, the retirements of the post-war "baby boom"

mendous strain on the sys-

He said it was "imperative security system, and do not that Americans fully undereven know that the retire- stand the trade-offs associ-

with education varied across

'Most Americans will be saving very small amounts'

had proposed differing plans the age of 45. Beyond education, he said the fund management industry had a duty to produce products that were simple, and at a cost low enough to ensure that Webber's chief executive and even those making small contributions could benefit

"We've got to recognise Americans will be saving very small amounts, and

generation would "out a tre- that means these resources have to managed at very low cost, with very simple

According to the Gallup poll, only 12 per cent of which makes education cru- 30 expect to receive all or most of the benefits to which they are entitled under He added that problems social security, compared with 21 per cent of those aged between 30 and-

> Only 6 per cent knew that 67 was now the retirement age, while two thirds believed it was 65 or younger. Ignorance on this point was evenly spread across age groups, and was common to both men and

Most viewed social security as a tax, 60 per cent said they had "no idea" how much they paid, and only 10 per cent said correctly that contributions were in a band between 10 and 15 per cent. Demographic projections suggest the US could become

as early as 2005. This will that the majority of put heavy pressure on the social security system in the

Twists in murder case may embarrass Menem

By Ken Warn in Buenos Aires

Argentine businessman Alfredo Yabrán was on the run yesterday after a judge murder of news photogra pher José Luis Cahezas. The latest twists in the

case could prove highly embarrassing for the government of President Carlos Menem. Mr Yabran is allegedly linked with the highest echelons of political power. Police raided Mr Yahrán's Buenos Aires suburban home and 14 other properties not probable over the weekend.

The murder, along with a growing list of high-profile cal prestigeand wrest control corruntion cases, involving both the ruling Peronist and opposition Radical parties, have led some local commentators to believe Argentina is on the brink of an Italianstyle crusade against corruption and impunity.

The arrest order came after the ex-wife of Gustavo Preliezo, the former policeman accused of carrying out the murder, testified that her former husband said he had worked for Mr Yabran

instigated the killing. Mr Yabran has repeatedly

denied any involvement. His lawyers said he was the vicordered his arrest in connectim of a political conspiracy tion with the January 1997 led by Eduardo Duhalde,

Mr Duhalde, they allege, is desperate to bring the case to trial to enhance his politi-

Corruption fight was 'possible, but

of the Peronist party from

Mr Cabezas's murder, with its echoes of the political violence of the 1970s, stunned Argentines. His body was found bound and shot in his burnt-out car. In 1996 the photographer covertly took some of the first published photographs of the reclusive

Mr Yabran has been involved in controversy before. In August 1995 then-

economy minister Domingo Cavalio alleged in Congress that Mr Yabran was a mafia

Mr Cavallo has accused the government of initially service and the sirports in ways that would entrench Mr Yabran's interests.

The businessman denied the accusations. Last December a group of postal, distribution and airport services companies allegedly controlled by Mr Yabran was sold to US-backed private equity fund The Exxel Group for \$605m. An onslaught against cor-

ruption and impunity was "possible, but not probable", said political analyst Rosendo Fraga.

Along with current corruption cases, such as the trial for embezzlement of former Radical governor of Córdoba province, Eduardo Angeloz, it could benefit the presidential candidacy of Graciela Fernández Meijide, he said. Her Frepaso party, allied with the Radicals, is so far untainted by corruption alle-

NEWS DIGEST

BRAZILIAN PRIVATISATION

Telephone sell-off doubts eased as curbs ruled out

The Brazilian government has removed two big doubts over privatisation of the country's telephone network by announcet no urtet will de part in the sale, due to begin in July, and that bidding consortia will not be obliged to include a telecoms operator.

The decision, published yesterday, confirmed indications given last week by Fernando Henrique Cardoso, Brazil's president, that restrictions imposed on previous sales would be lifted. It was seen as an attempt to maximise revenues from the sale in response to the higher cost of finance following the Asian crisis. Analysis expect the sale to raise about

Both restrictions applied to consortia taking part in the recent sale of so-called B-band callular operating licences to compete with A-band services offered by the public sector. Foreign companies were limited to 49 per cent of B-band licences. The limits will apply, however, to consortia applying for operating licences to compete with the privatised network, to be offered once the sale is completed.

The network is due to be restructured into 12 operating companies before the sale. The communications ministry plans to issue tender documents on May 29 and accept bids on July 15. Jonathan Wheatley, São Paulo

CHILE POLLUTION

Santiago smog emergency

Sentiago's authorities have decreed a state of environmental emergency in the Chilean capital as freak warm weather continues to worsen the city's winter smog. Classes in nursery and primary schools in three of the worst-affected areas have been suspended. While the emergency lests, only two of every 10 private cars without catalytic converters can be used between 6em and 9pm. Public transport and goods vehicles

Smog is a regular feature of life in Santiago during the autumn and winter months from May to September, when contaminants are trapped in the streats by a layer of cold air above the city. The mountains that nng the city also block out the winds, so the only, brief, respite comes from occasional

Dust particles from unpaved roads and building sites are a significant pollutant, while the other main contaminant is ozone, produced by the reaction between sunlight and nitrous oxide gas from car engines. Santiago was declared "ozonesaturated" in 1996. Imogen Mark, Santiago

DOMINICAN REPUBLIC

President loses ground in poll

President Laonel Fernández of the Dominican Republic faces a difficult task in implementing a range of economic and con-stitutional reforms after the failure of his centrist Liberation party to gain control of Congress in legislative elections at the

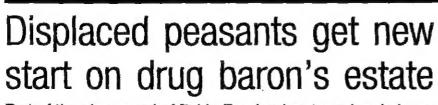
Preliminary results indicate that the social democrat Revolutionary party has strengthened its control of the legislature, taking 25 of 30 Senate seats and at least 100 of 149 seats in the chamber of deputies. The party also took control of most of the 115 municipalities contested at the weekend. Its strong showing came a week after the death of its leader, José Fran-

Mr Fernández, who became president two years ago, has been unable to get legislators from other parties to exprove most of his proposals. These include the privatisation of several state enterprises, mainly the power company, and constitutional changes which would allow presidents to stand for a

consecutive term.

The new legislature will be installed in August; and the president will seek alliances in an effort to get approval for his

proposals, according to government officials. Without assured support in Congress, however, Mr Fern-ández will be hard pressed to maintain expansior in the econorny, which grew last year by 8.2 per cent, following 7.3 per cent growth in 1996. Canute James, Kingston



Part of the playground of Pablo Escobar has been handed over to victims of Colombia's violence, writes Adam Thomson

cocaine deals and the what at one time served to deceased drug lord, Pablo Escobar, Elephants, rhinocand a Tibetan yak - among other creatures - grazed on the extensive estate. Above displayed a small aircraft in which he allegedly made his US. The 7,000-hectare country residence came to country's decadent drug

Today, part of the bacienda has become a show-piece of a different kind. Asset Forfeiture Law, which expropriate properties and goods acquired with illicit funds, the Colombian government last month handed some 500 hectares of Hacienda Nápoles to 15 families who until recently were landless victims of the coun-

Nápoles was the venue history of Hacienda Nápoles for multi-million-dollar around 180 degrees so that promote crime can now be used to promote a project for the lives of needy people," said Cesar Manuel Garcia, who advises the president on the issue of displaced people. "Receiving this land represents a new start for us," said Maria Dora Isaza, the mother of one of the families that now inhabit part of the infamous hacienda.

Until two years ago, Mrs Isaza, together with her husband and children, were peasants with a fertile, 30hectare landholding in the war-torn northern province of Uraba. That was until the arrived and told them to leave immediately if they valued their lives. "They told us they were profes-sional soldiers but you can never tell who they are,"

said Mrs Isaza. The lucrative drugs trade has played a large part in only been awarded provithe 1980s, drug lords backed

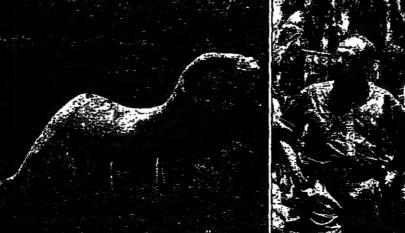
"We wanted to turn the private armies - the seeds of today's paramilitary groups - to combat the country's leftwing guerrilla factions. bought up the most productive areas of land, often forc-ing peasants such as the Isaza family to give up their The government hopes the

new law, as well as attacking the assets of the country's drug lords, will help reduce the number of displaced people. A recent study by the Catholic church, estimates Im of Colombia's 40m inhabitants have been displaced over the last 10 years. More than 1,800 properties

 including urban real estate have been expropriated. relocate 6,000 people on 25,000 hectares of land before it leaves office in August. But although the law to interpret and apply," said seems to be providing a solu-Colombians, the land has

gionally_ sionally. property plenty of opportu-That is partly because of nity to appeal in one case,





ment, under great pri to regain credibility following a scandal in which millions of dollars of drug money funded President Ernesto Samper's 1994 presidential campaign, concentrated on speed rather than detail when it was pushing

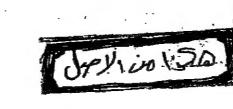
against the government for the law through Congress.
"The law, for all its good intentions, is very difficult a public prosecutor at the Special Asset Forfeiture Unit. The lack of clarity has given owners of expropriated

unresolved ambiguities in the lawyer of a suspected Because of the uncertainty the legislation. The govern-drug trafficker has held up a of the verdicts, Incora has Because of the uncertainty verdict for months by introdhad to design short- and ucing 50 separate appeals.
The Hacienda Nápoles case is also suffering delays. The lawyer for Pablo Escobar's family said he would begin legal proceedings

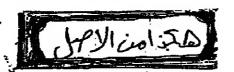
> handing over some of the land before a definitive deci-sion had been reached. The impasse is causing problems for displaced fami-lies and is undermining the technical support which they receive from Incora, the government body in charge of redistributing expropriated agricultural lands.

for the displaced families Investment is kept to a minimum for fear the government could lose the cases and the lands with them.

Mr Garcia is aware of the problem. But he argues that it is better to hand over the land provisionally than to allow displaced families to continue living in sub-human conditions by the side of railway escarpments or in urban slums. "The legal cases can take months and we can make use the lands in the meantime." he said.







ADVERTISEMENT

THE GERMAN PFANDBRIEF

Progress Report for Investors ===

Attracting world investment community

German Pfandbrief making giant strides in size and innovation

The structure of Europe's bond markets is experiencing unprecedented change. On the one hand, the new fiscal prudence that EMU is foreing upon first wave European Union economies is leading to diminishing volumes of new supply in government bond markets. On the other hand, currency considerations are set to become increasingly irrelevant in the euro zone as individual currencies disappear. The result is that institutions investing in the new Euroland will need to look elsewhere for fixed-income instruments that match government bonds in terms of security and liquidity, but which can offer a pick-up over traditional government paper.

Few fixed-income instruments can offer this combination as efficiently as the German Pfandbrief in general and the highly liquid Jumbo Pfandbrief in particular, Today, the German Pfundbrief is the world's largest non-government bond nurket outside the U.S.

The security of Pfandbriefe - bonds issued to refinance public-sector loans and mortgages - is beyond question, and is most immediately evident from the fact that in the long history of the market, no investor has ever failed to receive a Pfandbrief issue held to maturity. This unsurpassed track record is an ample testimony to the solidity of the regulatory framework governing the issuance of Plandbriefe, and to the security of the collateral that backs them.

Liquidity, liquidity and liquidity

An added benefit as far as international investors are concerned is that the solidity embedded in the regulatory framework governing the Pfandbrief market has been given a stamp of approval by leading international rating agencies. All Public Pfandbriefe rated to date by Standard & Poor's, and all but one of those rated by Moody's, have been assigned the top possible rating.

Allied to this security are the very high levels of liquidity which have arisen since the launch and development of the Jumbo Pfaudbrief market in May 1995. Since then, a number of refinements to

The German Bond Market As of December 31, 1997

Market Share of Plandbriefe



DM 4.3 TRILLION

the issuing process have formalized and standardized the market. Above all, each ut least DM 1 billion and be supported by at least three market-makers prepared to quote continuous bid and ask prices for lots of up to DM 25 million in tight depending on the maturity of the issue.

spreads of between 5 and 10 basis points. ternational investors of the safety of the

A growing recognition on the part of in-Plandbrief, combined with the attraction of guaranteed liquidity, has fueled a surge in demand for Jumbo issues outside as well as within Germany, and the mortgage banks have been quick to take advantage of the new possibilities this

Jumbo Pfandbrief Issuers

As of March 31, 1998

The second

Issuer	Humber of.	Potel volume OM militen	Marke stare
1. Allgemeine Hypothekenbank	21	37,750	. 13.1
2. DePlis Bank	27	36,900	12.6
3. Hypothekembank in Essen	16	27,500	3.5
4. Rheinische Hypothekenbank	12	23,000	7.9
5. Dautsche Hypothekenbank Forsich	nt 13	19,750	.: 6.8
6. Westdeutsche Landesbank	.7.	14,750	5.12
7. Bayerische Vereinsbenk	11	14,500	5.0
8. Frankf. Hypothekenbank Centralbo	den 8	14,500	5.0
9. Westfalische Hypothekenbank	7. 7	11,000	3.8
O. Berlin-Hannoversche Hypothekemb	strik 5	9,000	3.1
L1. DG HYP		9,000	3.13
2. Landesbank Sachsen	6	8,500	2.9
3. Württembergische Hypothekenbad	k 6	8,200	2.8
L4. Hypo-Bank	6	7,500	2.6
LS. Hypothekenbank in Hamburg	•	7,000	2.43
l.S. Deutsche Hypothekenbank Hannov	er 5	6,500	2.20
17. Norddeutsche Landesbank	3	5,600	1.9
8. Buyerische Landesbank	. 3.	5,350	1.86
9. Nürmberger Hypothekenbank	4	4,000	1.35
20. Deutsche Girozentralo			,:
-Septsche Kommunelbank-	. 3	4,000	1.35
1. Dexia Hypothekenbank Berlin	3	3,500	1.22
2. Rhelphoden Hypothekenbank	. 2	2,500	6.87
2. Bayerische Handelsbark	2	2,000	0.69
d. Minchener Hypothekenbank	. 1	2,000	0.69
5. Big Hypethekenbank	1	1,000	0.85
6. Schleswig-Holsteinische Landschild	1 1	1,000	0.35
7. Suddeutsche Bodencredifbank	1:	1,000	0.35
B. Wistenpot Hypothekenbank	1	1.000	0.35

has presented for issuing new bonds in large quantities.

"Precipitous growth" of the Pfandbrief

This in turn has led to what Dresdner Kleinwort Benson (DKB) described in a January report as the "precipitous growth" of the Jumbo Pfandbrief market, which took the total amount outstanding to over DM 220 billion by end-1997, following issuance for the year as a whole of DM 113.8 billion - an impressive figure for a market less than three years old. DKB, for one, predicts total issuance volume for 1998 of DM 140 billion,

There are a number of reasons underpinning market participants' bullishness on the prospects for Pfandbrief issuance in 1998. The growing international visibility and attractiveness of the Pfandbrief is fueling ever increasing demand for the bonds among investors outside Germany. Additionally, a new factor that will come into play in 1998 is the maturing of existing issues which will need to be refinanced, creating a self-perpetuating supply cycle. On March 5 of this year, a Jumbo Pfandbrief - Hypothekenbank in Essen's DM 1 billion issue - matured for the first time. In 1998, DM 7.5 billion in Jumbo issues will mature.

A new international asset class

Historically, issuers of German Pfandbriefe encountered no difficulty in placing their paper with a local investor base. With the approach of EMU, however, Germany's mortgage banks were among the first sizeable group of European issuers to recognize the desirability and opportunities to expand beyond their traditional domestic investor base. This is most clearly shown by the fact that Germany's mortgage banks have already signaled their intention to redenominate Jumbo Pfandbrief issues into euros at the start of 1999.

As a result, the single most prominent characteristic in the primary Plandbrief market over the last 12 to 18 months has been the increasing energy with which Germany's mortgage banks have sought to cultivate a new international base. Last year saw the first foreign-currency Pfandbrief issues in several innovative deals. Aside from involving institutional investors around the world, the process of internationalization has also brought a host of new participants into the Pfandbrief market - most notably international investment banks and the rating agencies.

Highlights of 1997 included RHEIN-HYP's euro 10 billion MTN Programme, allowing the bank to issue all kinds of bonds, including Pfandbriefe. In addition, Bayerische Vereinsbank took the internationalization of the Pfandbrief into new territory with a DM 2 billion Global. Sold under Section 3 (a) 2 of the US Securities Act, this was technically the first Pfandbrief which could be offered for public sale in the U.S.

Another landmark deal last year saw a German Pfandbrief denominated for the first time in Sterling. Hypothekenbank in Essen's £ 150 million seven-year transaction, was priced to yield 20 basis points over lik Gilts.

The early months of 1998 have seen a continuation in this trend of Pfandbrief issuers cultivating an increasingly diverse international investor base. DePfa-Bank, for instance, has built upon the foundations it had already laid down in the international market with the launch of a Global Plandbrief issue of DM 4 billion which broke new ground as the largest single Pfandbrief issue ever launched. More significant still was that no issuer other than governments and German federal states had ever issued larger DM-denominated transactions.

Another significant transaction was the launch of a Sir 500 million 10-year Pfandbrief issue by Frankfurter Hypothekenbank Centralboden in late March. Allgemeine Hypothekenbank (AHB) also added a new dimension to the internationalization process with the first ever euro/ecu-denominated Pfandbrief a euro 1 billion issue due in 2004 which was priced at 8 basis points over the eurodenominated French government bond. In a similar vein, Westfälische Hypothekenbank launched a DM 2.5 billion Pfandbrief issue off its euro 10 billion MTN Programme. The deal incorporated a euro fungibility clause allowing for future issues in other mainstream EMU

Initiatives to improve transparency and efficiency

Aside from the rapid development of the Jumbo Pfandbrief market over the last 36 months, including the growing internationalization of the product, market participants have been continuously seeking to implement other initiatives aimed at enhancing the efficiency and transparency of the sector. In this context, the launch of the JEX index together with the JEXP performance index in October was a milestone in the evolution of the market. The real-time index uses data provided by some 35 Jumbo Pfandbrief market-makers, and is based on a synthetic portfolio of 30 bonds with residual maturities of between one and 10 years.

The introduction of JEX and JEXP represents an important step forward for the Pfandbrief market. Significantly. they pave the way for the launch of a Pfandbrief future, which in turn will allow investors to hedge their exposure to the sector more efficiently. To date. the absence of a hedging instrument has not been a formidable stumbling block to the development of the Jumbo Pfandbrief market. But investors are expected to welcome the launch of a Pfandbrief future contract which is widely expected

The mortgage banks at work in 1997

Record lending and issuing activity

In 1997, Germany's private mortgage banks established new records for both lending and Pfandbrief issuance. Total new loan commitments reached DM 317.1 billion, an increase of 13.4% over 1996. Of this total, public-sector lending rose by nearly 20% to DM 219.5 billion, while commitments for mortgage loans advanced to DM 97.6 billion, a growth of 1.7% over the strong year-earlier figure.

In the run-up to EMU, the mortgage banks continued to step up their lending considerably in other EU states, more than doubling their commitments to DM 32.7 billion.

Issuance by the mortgage banks of Public and Mortgage Pfandbriefe reached a record volume of DM 275 billion, up 18.5% over 1996. Of this amount Public Pfundbriefe issued rose by 17.8% to DM 204.6 billion, and Mortgage Pfandbriefe totaled

DM 70.3 billion (+ 20.9%). Including the figures through end-1997, all German Pfandbrief issuers had bonds outstanding of DM 1.6 trillion or 37% of the total German bond market of over DM 4.8 trillion, and was more than twice the size of the Bund market. Of total Pfandbriefe outstanding, the mortgage banks with DM 1,018 billion accounted for some 63% of this market.

At year-end 1997, 140 issues accounted for Jumbo Pfandbriefe outstanding of about DM 225 billion. The private mortgage banks launched Jumbo issues amounting to about four-fifths of the total

In 1998, the mortgage banks will continue their concerted drive in preparation for EMU. In the euro zone, which will be the world's secondbiggest bond market, the goal is to enhance the German Pfandbrief's leadership in the non-government

Germany's Mortgage Banks in Perspective

Year-end 1997	Total Gornsony Diff billion	Horigage Ganics DM billion	Market sters X
ISSUING	Sparity		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
			or William Inc.
Domestic bonds outstanding	g 3,798.5	1,097.5	28.9
Domestic bank bonds			
outstanding	2,422.3	1,097.5	45.3
Plandbriefe outstanding	1,593.1	1,013.3	63.8
		See Milit	
LENDING			······································
the first the state of the		3	and the second
Residential property	1,543.9	363.0	23.5
Commercial real estate	367.5	177.9	48.4
Federal, state, municipal	892.1		
		460.8	51:7

Enhanced safety and market depth

Reinforcing the **Pfandbrief's credit** quality

Although its track record in terms of safety is unsurpassed in Germany, a number of other measures have recently been initiated which have reinforced the credit quality credentials of the Pfandbrief still further. For example, the European Monetary Institute has already indicated that the Pfandbrief will be eligible for Lombard and repo transactions as Tier 1 assets.

More recently still, the start in April of Germany's Third Financial Market Promotion Act has also helped strengthen the market position of the Pfandbrief. As far as Pfandbrief investors are concerned, by far the most important component of this Act is that it will precisely

regulate creditors' preferential claims in bankruptcy proceedings, with the assets serving as collateral being given the legal status of a separate reserve fund, making the Pfandbrief even more secure documenting the impressive centuryold record of no mortgage bank insol-

Another important provision of the Act entitles the private mortgage banks not only to issue Public Pfandbriefe to refinance their own public-sector loans, but also to issue Public Pfandbriefe to refinance the purchase of bearer bonds issued by public-sector entities. This gives the mortgage banks the opportunity to significantly expend their business, which in turn will enhance the depth of the German Pfandbrief market.

GERMANY'S MORTGAGE BANKS

DEPFA-BANK, WIESBADEN BAYERISCHE VEREINSBANK AG, MÜNCHEN HYPO-BANK, MÜNCHEN DEUTSCHE HYP, FRAMKFURT

FRANKFURTER HYPOTHEKENBANK CENTRALBODEN AG,

RHEINHYP, FRANKFURT BERLIN-HANNOVERSCHE HYPOTHEKENBANK AG,

DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HYPOTHEKENBANK IN ESSEN AG, ESSEN BAYERISCHE HANDELSBANK AG, MÜNCHEN

ALLGEMEINE HYPOTHEKENBANK AG FRANKFLETT WESTHYP, DORTMUND WURTTEMBERGER HYPO, STUTTGART

HAMBURGHYP, HAMBURG SUDDEUTSCHE BODENCREDITBANK AG MÜNCHEN DEUTSCHE HYPOTHEKENBANK (ACT. GES.), HANNOVER MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN NÜRNBERGER HYPOTHEKENBANK, NÜRNBERG DEXIA HYPOTHEKENRANK RERUN AG RERUN RHEINBODEN HYPOTHEKENBANK AG, KÖLN

SCHLESWIG-HOLSTEINISCHE LANDSCHAFT HYPOTHEKENBANK AG, KEEL

NORDHYPO BANK, HAMBURG

BFG HYPOTHEKENBAMA AG, FRANKFURT LÚBECKER HYPOTHEKENBANK AG, LÚBECK

WÜSTENROT HYPOTHEKENBANK AKTIENGESELLSCHAFT,

M.M. WARBURG & CO HYPOTHEKENBANK AG. HAMBURG For further information about German Plandbriefe please contact: Association of German Mortgage Banks (VDH) Bonn, Germany , Fax (+228) 9 59 02 44 E-mail: vdh@hvoverband.de

NEWS DIGEST

HK's 3.9% unemployment

Unemployment in Hong Kong reached a 14-year high in the three months to April as the Asian financial crisis continues to

slow economic growth in the tentiory and depress consume speriding. Government figures released yesterday show unemployment in the three months to April rose to 3.9 per

cent, compared with 3.5 per cent in the three months to

Merch. It is the highest level since the 4 per cent registered in 1984, when uncartainty engulied Hong Kong before the John

Declaration, which seeled the terms for its return to Chinese sovereignity in 1997. Tang Kwong-yiu, the government econo-

mist, said he expected unemployment to remain at the pres-

While the worst hit sectors have been construction and

exting staff and closing outlets, job-cutting has been across

the board. At the top end of the salary scale, investment

banks and securities houses have also been cutting staff.

The Singepore economy grew by 5.6 per cent in the first quarter of 1998, down from 7.6 per cent in the previous quar-

ter, as all sectors showed weaker year-on-year growth. The

in March, from 2 per cent in December. A survey of private

tionary pressures were lower as weaker consumer demand

pushed prices down. The Consumer Price Index was 1.1 per

cent, down from 2.3 per cent in the previous quarter. Sings-

(US\$2.8bn) in the first quester, from S\$4.8bn in the preceding

pore's current account surplus narrowed to S\$4.6bn

about 7,000 workers were retrenched in the first quarter. With-

sector establishments with at least 25 employees showed

sonally adjusted unemployment rate rose to 2.2 per cent

Singapore growth slows

retail, with a number of shops responding to the downturn by

is highest in 14 years

GROWTH CONTINUES TO SLOW

Leading banks have requested the postponement of debt restructuring talks with Indonesia after last week's riots, bankers said

They said a meeting between the three co-chairmen of the country's bank

shi, set for New York this week, had been postponed by a week. Conditions were not right for further discussions, they said.

The banks have also asked for the postponement of a further meeting with the government which was set for Frankfurt on May 26. This was due to deal with the debt owed to international banks by private-sec-

ters of indonesia's \$80bn debt to international banks. Resolving this commercial debt problem is expected to

require a mechanism called Indra, similar to the so-called Ficorca arrangement devised by Mexico in the early 1980s, to deal with its commercial debt problems. Bankers said that unlike Ficorca, debt pay-ments would be converted

ing market exchange rate with no government subsidy. They also said bankers were keen to ensure that companies which could pay their debts were excluded from

the programme.
"The feeling is that we can still move ahead on this thing," said one bank official in New York. However, bankers say a

be a drawn out process owing to the diverse range of Indonesian companies affected. These range from near-bankrupt homegrown companies to subsidiaries of Japanese corporations based

The goal of hammering out a workable formula is likely to be further hindered by the reluctance of Japanese banks to record further losses in advance of the

Manhattan, Deutsche Bank tor companies, which consti-and Bank of Tokyo-Mitsubi-tutes more than three-quar-eign currency at the prevail-be a drawn out process cfal results in late June. Japanese banks - many of which have steeply increased their had loan provisions in recent months -are the most heavily exposed to Indonesia with about \$23hn on their books. As one US banker says: "One gets the impression that the Japanese are spending quite a lot of time dragging their

The uncertainty in Jakarta

Monetary Fund would go ahead to dishurse any more funds. In the first place, the possibility of a change of government would deter the Fund from making further disbursements: any new 20Vernment would have to sit down with a Fund team to negotiate a new package. Second, the Suharto govern-ment has reversed price rises that were an important

Banks request postponement of Indonesia debt talks has also raised the question element in the IMF accord. of whether the International Third, the IMF team of two permanent representatives and a six person mission bas

However, having disbursed \$1bn to Indonesia on May 4, the IMF does not need to make a decision on a further disbursement until early June. In briefings last week. US government officials said the administration led package.

Fires light up the collapse of the house of Suharto

Resented privilege is under attack, write Sander Thoenes and John Ridding

The last taxis back on the the riots last week were the dark blue Citra cabs of Siti Hardiyanti Rukmana, President Subarto's eldest

"They knew that if they got on to the streets earlier they would have been torched," a driver of a competing taxi company said.

Suharto's six children. A popular joke holds that she got her nickname because she enjoys the sound of cars bonking on the toll roads built by Citra Marga, one of

of the branches of their

they had fled the country. streets of Jakarta after But Mr Subarto and his family face increasing pressure to give up their business privileges; a group of Mos-lem leaders over the weekend demanded they hand back their property to the

government Investors got the message. Shares in Citra Marga were down 11.76 per cent at Rp375 (31/4 US cents) by noon yes-Tutut is the nickname of terday, compared with last Mrs Hardiyanti, one of Mr year's high of Rp1,500. Bimantara, a conglomerate controlled by Mr Suharto's second son Bambang Tribatmojo, fell 6.67 per cent to Rp350, compared with a high of Rp4,500.

But many of her toll who worked with the standing and jeopardised booths were destroyed in the Suharto family warned that rioting. Venting their rage at collapse of the family's busithe Subarto family, mobs set ness empire could prove fire to showrooms for cars costly to hundreds of foreign produced by two of her enterprises and banks - parbrothers and ravaged many ticularly Japanese ones that teamed up with them.

"But foreign partners Staff said Mrs Hardiyanti should have seen this comand her youngest brother, ing," he said. "A few years resolution of Indonesia's pri-

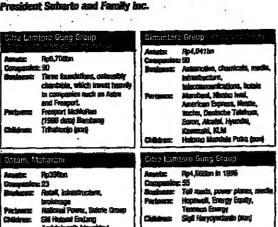
would become a liability one

day. They went ahead. That

after his father had officially

abolished it to meet an

day has now come."



ments, and we said that conmagazine, last year placed Mr Suharto third in its "king nections to the first family

Mr Suharto's inability to restrain his children has than the IMF package (at been one of the causes of his last year's exchange rate). Some of this is held in real fall from grace. They remained oblivious to the estate, bank accounts and shares abroad, including in rising resentment against them and pushed ahead with Automobili Lamborghini, United Pulp & Paper and controversial ventures even One western consultant as they hurt their father's Van der Horst of Singapore. But most analysts believe much of the family wealth \$43hn in loans arranged by the International Monetary was held at home. It has Fund. Mr Hutomo held on to been heavily devalued by the rupiah's depreciation and a clove monopoly that impoverished farmers even devastated by the country's

economic collapse.

Sempati Air, the airline of

agreement with the IMF. By government account, Mr Subarto's sons were the sis bit and has stopped fly- of paying off the family and eighth, ninth and 14th larg-

and threatening the investment of Marubeni, the Japaor tyrant" category, estinese trading house. Mr Bammated him to be worth some bang's assembly lines of \$16bn and the whole family Kawasaki motorcycles is hit \$46bn - some \$3bn more badly by the rupiah depreciation, as many of the parts are imported and sales have

> Bimantara reported a \$3 per cent drop in profits for 1997 on heavy foreign exchange losses and interest expenses. Other listed family businesses failed to report at Much of the family fortune

was built on levies and consulting fees rather than shares, and little of that is reported. In late 1997, west-Mr Hutomo, had been all but ern investors started combankrupt even before the cri- plaining that the added cost

Suharto wrote those rules."

Although the Assembly

members owe their privi-

leges to the president, popu-

down several banks with it deals. "They have started the feeding frenzy before the downfall," one diplomat said at the time.

Mr Subarto has sacrificed some family businesses in recent months and Pertamina, the oil and gas monopoly, announced over the weekend that it had cancelled its exclusive contracts with two import agents controiled by two of Mr Subarto's sons. But they continue shipping oil and gas and laying pipelines at inflated

Christianto Wibisono consultant, predicted any new government would want to spare foreign partners of the first family but confiscate the Suharto businesses

"You spere their lives but "They will be left with their bank accounts. I don't think

quarter. Shells McNulty, Kusis Lumpur POSTPONEMENT CALL

ent high levels.

Louise Lucas, Hong Kong

ALL SECTORS WEAKER

Cambodia election threat

Cambodia's four leading opposition parties said yesterday they would pull out of the country's election unless it was postponed and conditions for a free and fair poll were in place. The parties, including the royalist Funcineec party of Sousted prime minister Prince Norodom Rangriddh and Sam Reinsy's Khmer Nation party, said they would continue to propare for the election on July 26 but would only take part if siectoral reforms were made soon. A boycott would undo months of international diplomacy aimed at restoring a measure of democracy to Cambodia. But by threatening to boycott, the opposition runs the risk of becoming irrelevant if it is not supported by the Friends of Cambodia group, an Informal caucus of Asian and western powers trying to resolve Cambodia's political turmoil.

Hun Sen, the prime minister, dismissed the boycott threat, saving the elections would have to be held as scheduled or be postponed until 2003. The opposition parties said they wanted an end to political violence and infimidation, equal access to state-controlled electronic media, and an overhaut of the National Election Commission, dominated by backers of Hun Sen. Ted Bardacke, Bangkok

ing. A big olefins complex of other well connected Indo-Hutomo Mandala Putra, ago we were advising a big est taxpayers in Indonesia Mr Bambang is burdened by nesians had shot up to 30 per were back at their offices international fund on Indolast year. Forbes, the US \$1.37bn in debt, dragging cent of the value of some Legislators prepare way for a transfer of power

tion, Indonesia's parliamen- stitutionally," he said. tary leaders yesterday set in motion what could become a peaceful and constitutional

House of People's Representatives and a long-time loval servant to the president. they would formalise a request for Mr Subarto's res-

indicated as much yesterday ing in parliament with his made by the whole assemfour deputies to announce bly, in a formal session, Gen

economist said Harmoko did

General Wiranto, chief saved. But if Suharto says body which incorporates the House and 500 others who

Harmoko, speaker of the when they stressed that Mr together call a special sesholds 75 unelected seats. Harmoko's statement was an sion of the Assembly of The Assembly, which atives and a long-time loyal individual action that had no People's Deputies," Mr Juoro elected Mr Suharto for a severant to the president, legal force. Any demand on said. [The Assembly is the enth term by consensus in walked in on a student meet. Mr Subarto to ouit must be country's highest legislative have largely been hand- B.J. Habible. It could call Umar Juoro, a prominent picked by Mr Suhartol. Mr Juoro and diplomats leader on the spot.

entire community to remain of the assembly. "He just moke to press ahead with to prevent the Assembly ment party Golkar, the unlikely. "They are all commander of the armed no and Harmoko and his Moslem PPP, the nationalist talking constitutionality," forces, and other generals deputies agree with the fac- PDI party and ABRI, the one diplomat said. "They tions tomorrow, they can powerful military which

March, could then dismiss him and possibly also the unpopular vice president, elections or pick a new

"The House calls on the not call for a special session said they expect Mr Har- Mr Suharto could yet try

united and create a peaceful asked Mr Suharto to step today's meeting and then from meeting, or some of his for Mr Suharto to resign, With a surprise call for and calm situation so that down. Harmoko was per- call a meeting of the Assem- generals could move in and which would leave Mr Habieverything can proceed consuded that Suharto is a bly. The House factions committee impose their choice, but dip ble as acting president. The stitutionally, he said.

stoking ship, he cannot be prise the dominant govern lomats felt that was constitution is vague on won't break the rules. Mr

step down and Habibie to become president for a transition period until every thing calms down," Mr lar frustration with Mr Juoro said. "Amien Rais [a popular opposition leader) Suharto has become so widespread that they could spark could support that, because another bout of violence if then he has a chance to run for president. He has no they stuck with him or if they appointed Mr Habibie chance in this parliament. This is a crony parliament."

whether this would require a special session of the Assembly to re-affirm Mr Habibie. The best is for Subarto to

Thai finance companies nationalised | INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS | Yearly figures are shown to index form with the common base year of 1985. The real exchange rate is an index throughout, other quarterly and monthly figure to interpretate charges over the corresponding period in the common vector and are troubless otherwise extraction.

Thailand's central bank ing finance companies yesterday, wiping out shareholder equity and adding to economy by the crisis which the mammoth bill faced by Thai taxpayers for the rescue of the country's financial sector.

include listed Union Asia Finance and Nava Finance. which were abandoned by state-run company as the Bank respectively, because of skyrocketing levels of non-performing loans and Finance and Securities will high interest rates.

Late last year, Thailand shut 56 finance companies after pouring in more than the seven nationalised com-\$10bp of state funds in a panies and receive a comvain effort to keep them

By Ted Bardacke in Bangkok
and Louise Lucas in Hong Kong
Bangkok counts cost of turbulence

Thailand's deputy minister of finance, Pisit Leeahtam, has estimated that the total financial damage wrought to the Thai swept through south-east Asia, after effectively beginning in Thalland with the floating of the baht in July last year, is The seven companies 8t5,000bn \$128,6bnj, or 100

> it has already lent them. Krungthai Thanakit approximately Bt100bn (\$2.6bn), and the liabilities of bonus once its parent com-

per cent of this year's gross calculation includes the effect of the plunging stock market and the effect of the exchange rate on borrowers. "This is a painful lesson; we have a duty to make sure it will never happen again, not just in Thailand but other countries." he said.

But because the move sadliabilities to the central bank's financial institutions' rescue fund, the government take on the assets, worth has also pledged to pay for approximately Bt100bn Krungthai Thanakit's recapitalisation as well. the same rationale it used

ment by selling shares in Krungthai Thanakit to the private sector. But many analysts doubt whether there will be buyers. "It sounds like they're setting themselves up for fur-ther spending," said Russell

Kopp, head of research at Dresdner Kleinwort Benson. Less than a year ago there were 91 finance companies operating in Thailand; now there are 28.

The deputy finance mints ter, Pisit Leeahtam, said their parent banks, Bangkok government attempts to dies Krungthai Thanakit many of the remaining com-Bank and Thai Military recoup the more than \$300m with bad debt and additional panies were either controlled strong links with well capi-talised Thai banks, or were very conservative in their "I will not promise that

The central bank, using there will be no more financial institutions subject to mercial banking licence as a when it nationalised four government intervention, he commercial banks earlier said. "But the chance of the nationalised finance companies will be merged with a poses of its controlling stake. recoup some of its invest-trouble is much less."

	UNITE	STATE	S			Japan					GERMAN	ľ			
	Conjunter prices	Producer private	in the second	lak laber costs		Commercer prices	Produmer prices	مهشرطا	Upit Inform contin	Paral contrarge (title	Community prices	Producer priors	Services.	Colt. Inhorr conts	Flooring controller (rate
967	106.6	100.7	103.9	98.4	76.1	101.3	92.5	103.1	100.0	122,9	100.1	95.0	107.0	107.1	110.
968 980	109.9 115.2	103.2	106.8	100.2	71.0	102.3 105.1	92.3 94.2	107.8 . 114.0	96.0	121.0	101.4 104.2	96.2	110.0 112.9	106.9 108.0	109.
990	121.5	113.9	113.5	104.9	73.2	108.3	95.7	120.1	99.7	108.2	107.0	101.0	117.9	110.3	109.
991	126.6	116.3	117.3	108.4	74.1	111.9	96.8	124.2	103.9	113.2	110.9	103.4	125,3	109.6	107.
1992 1993	130.4	117.7	120.1	108.4	74.0 76.4	114.0	95.9	125.6	1128	114.5	116.5	104.9	139.1	115.3	110.0
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995	141.7	122.2	129.7	105.7	68.7	115.9	92,0	132.5	115.8	138.3	127.4	107.5	159.1	110.8	114.
996	145.8	125.4	133.9	104.6	73.4	115.8	90.4	135.8	113.2	117.7	129.3	107.1	163.0	109.7	109.
967	149.2	125.9	138.1	103,7	79.1	117.4	0.19	139.7	110.0	111.5	. 131.5	108.2	165.0	103.2	104.
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kuty	2.2	-02	2.5	-1.3	78.6	1.4	13	32	-3.3	118.0	1.5	14	1.5	-9.3	103.
Angust .	22	-0.2	2.8	-1.8	80.0	1.6	1.3	. 2.9	-1.8	718.9	2.0	1.5	1.2	-4.7	103.
September October	21	0.0 -0.3	2.7	-1.1 -0.9	79.9 79.4	22	1,4	1.5	-3.1	112.5	1.9	1.4	1.2	-6.1	103.
November	1.8	-0.7	3.4	-0.9	79.7	. 24	1.3	1.5 1.8	-1.0 3.2	111.6 107.4	1.8	1.2	1.1	-6.2	104.1
December	1.7	-1.2	3.2	-0.6	81.6	1.8	0.0	1.5	1.8	105.2	1.8	1.1	1.2	-6.2	103.8
January 1998	1.6	-1.8	28	-0.6	82.3	2.0	0.0	-0.4	4.0	106.4	1.3	0.7	1.2		104.
February	1.4	-1.6	3.1	~0.3	81.5	2.0	9.4	0.1		108.4	1.1	0.7	1.2		103.4
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987 988 989 989 990 991	TRANCE Construer prices 105.9 108.8 112.6	-1.2 Fredoor priors 98.1 102.9 108.2	107.8 111.5 115.8	103.0 104.1 105.2	Bed 104.7 102.1 99.7 102.9 100.7	0.7 ITALY Community paties 111.0 116.5 124.2 131.7 140.3	102.2 105.7 112.0	111.6 118.4 125.6	105.5 109.7 112.3 118.8 129.6	103.4 102.1 100.9 705.7 111.9 113.1	1.1 7.4 UNITED Community pilon 107.7 113.0 121.8 133.3 141.2	Freductr prices 104.9 108.7 113.9 121.0 127.5	116.3 126.2 137.2 150.1 162.4	106.2 108.8 114.1 121.8 127.9	103. Pleat 101.3 101.3 101.4 104.4
987 988 988 989 990 991 992 993	1.4 FRANC Consequer priors 105.9 108.8 112.6 116.5 120.2 123.1 125.6	-1.2 F Producer splan 98.1 102.9 108.2 107.1 104.3 101.6	107.8 111.5 115.8 121.5 127.1 132.3 135.6	103.0 104.1 105.2 109.6 113.4	Bed unhange rata 104.7 102.1 99.7 102.9 100.7 104.2 106.6	0.7 ITALY Community polessis 111.0 116.5 124.2 131.7 140.3 147.7 153.9	102.2 105.7 112.0 116.2 120.0 122.3 126.9	111.6 118.4 125.6 134.7 147.9 165.9 161.6	105.5 109.7 112.3 118.8 129.6 134.5 136.9	103.4 Red 102.1 100.9 705.1 111.9 113.1 109.5 96.2	1.1 7.4 UNITED Community prices 107.7 113.0 121.8 133.3 141.2 146.7	Freductr prices 104.9 108.7 113.9 121.0	116.3 126.2 137.2 150.1 162.4 173.1 180.9	106.2 108.8 114.1 121.6	703. Red 94.1 101.1 101.1 104.1 100.5 83.1
Aporti 1987 1988 1989 1990 1991 1982 1983	1.4 FRANC Conseque priors 105.9 108.8 112.6 116.5 120.2 123.1 125.5 127.7	-1.2 Froton 98.1 102.9 108.2 107.1 105.9 104.3 101.6 102.7	107.8 111.5 115.8 121.5 127.1 132.3 135.6 138.2	108.0 104.1 105.2 109.6 113.4 115.6	Bed unhange rate 104.7 102.1 99.7 102.9 100.7 104.2 105.6 106.1	0.7 ITALY Community pulses 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0	102.2 105.7 112.0 116.2 120.0 122.3 126.9 131.6	111.6 118.4 125.6 134.7 147.9 165.9 161.6 187.0	105.5 109.7 112.3 118.8 129.6 134.5 138.9	103.4 102.1 100.9 705.1 111.9 113.1 109.5 95.2 93.3	1.1 7.4 UNITED Commer prices 107.7 113.0 121.8 133.3 141.2 146.4 146.7 152.4	Fredericks 104.9 108.7 113.9 121.0 127.5 131.5 138.7 140.1	116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.5	106.2 108.8 114.1 121.6 127.9 128.2 127.5 127.1	703.1 Pad 94.6 101.3 100.1 101.4 100.6 94.1
1987 1988 1989 1989 1990 1991 1991 1994 1994	1.4 FRANC Consequer pilons 105.9 108.8 112.6 118.5 120.2 123.1 125.8 127.7 130.0	-1.2 Frederick 98.1 102.9 106.2 107.1 105.9 101.6 102.7 101.6	107.8 111.5 121.5 127.1 132.3 135.8 135.8 141.5	108.0 104.1 105.2 109.6 113.4 115.6	Bod technique rate 104.7 102.1 100.7 104.2 106.0 106.1 106.1	Commer pales 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.8	102.2 105.7 112.0 116.2 120.0 122.3 126.9 131.6 142.0	111.6 118.4 125.6 134.7 147.9 165.9 161.6 187.0 172.2	105.5 109.7 112.3 118.8 129.6 134.5 136.9	103.4 102.1 100.9 705.1 111.9 113.1 109.5 96.2 93.3 90.3	1.1 7.4 UNITED Comment prices 107.7 113.0 121.8 133.3 141.2 146.4 148.7 1.57.6	Fredrow prices 104.9 108.7 173.9 121.0 127.5 131.5 138.7 146.0	116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.5 198.0	106.2 108.8 114.1 121.6 127.9 128.2 127.6 127.1 131.7	103.1 Real subsequent 101.3 100.1 104.4 100.5 94.1 90.7
1987 1988 1989 1990 1991 1992 1992 1993 1994 1996	1.4 FRANC Conseque priors 105.9 108.8 112.6 116.5 120.2 123.1 125.5 127.7	-1.2 Froton 98.1 102.9 108.2 107.1 105.9 104.3 101.6 102.7	107.8 111.5 115.8 121.5 127.1 132.3 135.6 138.2	108.0 104.1 105.2 109.6 113.4 115.6	Bed unhange rate 104.7 102.1 99.7 102.9 100.7 104.2 105.6 106.1	0.7 ITALY Community pulses 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0	102.2 105.7 112.0 116.2 120.0 122.3 126.9 131.6	111.6 118.4 125.6 134.7 147.9 165.9 161.6 187.0	105.5 109.7 112.3 118.8 129.6 134.5 138.9	103.4 102.1 100.9 705.1 111.9 113.1 109.5 95.2 93.3	1.1 7.4 UNITED Commer prices 107.7 113.0 121.8 133.3 141.2 146.4 146.7 152.4	Fredericks 104.9 108.7 113.9 121.0 127.5 131.5 138.7 140.1	116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.5	106.2 108.8 114.1 121.6 127.9 128.2 127.5 127.1	94.4 101.3 100.4 104.4 100.6 93.1 94.7 94.7 94.7 94.7 94.7 94.7
987 1988 1989 1990 1991 1992 1993 1994 1996 1997	1.4 FRANC Consequer priors 105.9 108.8 1126.5 120.2 123.1 125.6 127.7 130.0 132.6 134.2	71.2 F Producer prices 98.1 102.9 108.2 107.1 105.8 101.6 102.7 105.8 105.2 -0.8	107.8 111.5 115.8 121.5 127.1 132.3 135.6 138.2 141.9 149.0	108.0 108.0 104.1 105.2 109.8 113.4 115.6 118.1	Bed 104.7 102.1 102.1 106.1 106.1 102.7 102.7	0.7 ITALY Community prices 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.6 175.0 178.2	1022 105.7 112.0 116.2 120.0 122.3 126.9 131.6 142.0 144.7 146.6	111.6 118.4 125.6 134.7 147.9 165.9 161.6 187.0 172.2 175.3 181.6	105.5 109.7 112.3 118.8 129.6 134.5 136.9 138.1	103.4 102.1 100.9 105.7 111.9 113.1 109.5 93.3 90.9 102.7	1.1 7.4 UNITED Comments 107.7 113.0 121.8 133.3 141.2 146.4 146.4 157.6 167.5 166.5	KINGDOI Proteour prioss 104.9 121.0 121.5 131.5 138.7 146.1 146.1 149.8 151.5	116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.5 189.5 206.8 215.8	106.2 108.8 114.1 121.6 127.9 128.2 127.5 127.1 131.7 138.8 145.3	103.1 101.1 101.1 100.1 101.4 100.5 94.1 90.7 93.1 108.6
1987 1988 1989 1989 1990 1990 1991 1994 1995 1996 1997 2nd qtr.1997 3nd qtr.1997	1.4 FRANC Consour plan 105.9 108.8 112.6 116.5 120.2 122.1 125.8 127.7 130.0 132.6 134.2	-1.2 F 98.1 102.9 108.2 107.2 104.3 101.6 102.7 105.8 105.8 105.8 105.8	207.8 111.5 115.8 121.5 127.1 132.3 135.8 141.5 144.9 149.0 2.7 2.8	103.0 104.1 105.2 109.6 113.4 115.6 118.1	Bed colonge rate 104.7 102.1 102.1 106.1 106.1 106.1 106.2 106.2 100.3	0.7 ITALY Community 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.6 175.0 178.2	1022 105.7 116.2 120.0 122.3 126.9 131.6 142.0 144.7 146.6	111.6 118.4 125.6 134.7 147.9 155.9 167.0 172.2 175.3 181.6	108.5 108.7 112.3 118.8 129.6 134.5 136.9 138.1 158.1	103.4 102.1 100.9 705.7 111.9 113.1 109.5 96.3 90.3 101.9 102.1 102.1	1.1 7.4 UNITED Comment prices 107.7 113.0 121.8 133.3 141.2 146.7 152.4 157.6 161.5 166.5	KINGDON Producer prices 104.9 108.7 713.9 127.5 131.5 130.1 146.0 149.8 151.5 1.0	116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.5 198.0 206.8 215.8	106.2 108.8 114.1 121.8 127.9 128.2 127.5 127.1 131.7 138.8 143.3	103.2 Peat sessions rate 101.5 101.5 100.5 104.4 100.6 93.1 90.1 108.5 111.7
April 1987 1988 1989 1990 1991 1992 1993 1994 1996 1996 1997	1.4 FRANC Consequer priors 105.9 108.8 1126.5 120.2 123.1 125.6 127.7 130.0 132.6 134.2	71.2 F Producer prices 98.1 102.9 108.2 107.1 105.8 101.6 102.7 105.8 105.2 -0.8	107.8 111.5 115.8 121.5 127.1 132.3 135.6 138.2 141.9 149.0	108.0 108.0 104.1 105.2 109.8 113.4 115.6 118.1	Bed 104.7 102.1 102.1 106.1 106.1 102.7 102.7	0.7 ITALY Community prices 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.6 175.0 178.2	1022 105.7 112.0 116.2 120.0 122.3 126.9 131.6 142.0 144.7 146.6	111.6 118.4 125.6 134.7 147.9 165.9 161.6 187.0 172.2 175.3 181.6	105.5 109.7 112.3 118.8 129.6 134.5 136.9 138.1	103.4 102.1 100.9 105.7 111.9 113.1 109.5 93.3 90.9 102.7	1.1 7.4 UNITED Comments 107.7 113.0 121.8 133.3 141.2 146.4 146.4 157.6 167.5 166.5	KINGDOI Proteour prioss 104.9 121.0 121.5 131.5 138.7 146.1 146.1 149.8 151.5	116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.5 189.5 206.8 215.8	106.2 108.8 114.1 121.6 127.9 128.2 127.5 127.1 131.7 138.8 145.3	103.1 101.3 101.3 100.3 104.4 100.6 93.1 94.1 108.6 111.3 112.1
1987 1988 1989 1989 1991 1992 1994 1995 1994 1996 1997 2nd qtr.1997 3nd qtr.1997 3nd qtr.1997 3nd qtr.1997 3nd qtr.1997	1.4 FRANC Consequence priors 105.9 108.8 112.6 116.5 120.2 122.1 122.6 127.7 130.0 132.6 13.1 12.6 0.7	71.2 F Proteon selection 98.1 102.9 108.2 107.1 105.8 104.3 101.6 105.8 105.8 105.8 105.9 105.	107.8 111.5 115.8 121.5 127.1 132.3 135.8 138.2 141.5 144.9 149.0 2.7 2.8 2.8	103.0 104.1 105.2 109.8 113.4 115.6 118.1	B2.4 Bad cultural 104.7 102.9 104.2 106.1 106.1 106.1 106.2 102.7 102.0 102.0 102.0 102.8	0.7 ITALY Comments 111.0 116.5 124.2 131.7 147.7 153.9 160.0 168.6 175.0 178.2 1.5 1.6 1.7	102.2 105.7 112.0 116.2 120.0 122.3 125.9 131.6 142.0 144.7 146.6	111.6 118.4 125.6 134.7 165.9 161.8 167.8 172.2 175.3 181.6 3.8 3.4	105.5 109.7 112.3 118.8 129.6 134.5 136.9 138.1 158.1	103.4 102.1 102.1 103.5 113.1 113.9 113.1 109.5 95.2 90.3 101.9 102.1 101.8 102.7	1.1 7.4 UNITED Comment pitons 107.7 118.0 121.8 138.3 141.2 146.4 148.7 157.8 161.5 166.5 166.5 2.7 3.3 3.3 3.3 4.1 4.2 4.3 4.3 4.3 4.3 4.3 4.3 4.3 4.3 4.3 4.3	Frederor prices 104.9 108.7 113.9 121.0 127.5 131.5 130.7 140.0 149.8 1.0 0.8	116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.5 198.0 208.8 215.8 4.2 4.1 4.6 5.3	106.2 108.2 108.8 114.1 121.8 127.5 127.5 127.1 131.7 138.8 149.3 3.0 2.8 3.9 5.4	703.1 Real 94.4 101.2 104.4 100.5 94.1 90.7 93.7 108.6 111.2 112.1 114.6 107.3
1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 101 qtr.1997 101 qtr.1997 101 qtr.1997 101 qtr.1997 101 qtr.1997	1.4 FRANC Consour plan 105.9 108.8 116.5 116.5 120.2 122.1 125.8 127.7 130.0 132.6 134.2 0.7 0.9	-1.2 F Produce selection 98.1 102.9 108.2 107.1 105.9 104.5 105.2 -0.8 105.2 -0.9	107.8 1115.8 121.5 127.5 127.1 132.3 135.8 138.2 144.9 149.0 2.8 2.8 2.8	103.0 104.1 105.2 109.5 113.4 115.6 118.1	Bad 104.7 102.1 102.1 106.8 106.1 106.2 102.1 100.3 102.0 100.7 102.8 101.7 102.8 101.7 102.8 101.7	0.7 ITALY Community 111.0 116.5 124.2 131.7 147.7 153.9 160.6 175.0 178.2 1.6 1.7 1.6 1.7 1.8 1.6 1.7	102.2 105.2 115.0 116.2 120.0 120.0 120.0 120.0 120.0 144.7 146.6 1.7 1.5 1.1	111.8 118.4 125.6 134.7 147.9 165.9 161.8 187.0 172.2 175.3 181.6 3.8 3.4 3.3	105.5 109.7 112.3 118.8 129.6 134.5 136.9 136.1 158.1	103.4 Red Red Red 102.1 100.9 105.7 111.9 113.1 109.5 93.3 90.3 101.9 102.7 102.1 101.8 102.7 102.0	1.1 7.4 UNITED Consent prices 107.7 113.0 121.8 139.3 141.2 146.4 146.7 157.6 165.5 2.7 3.5 3.7 3.4	Freducer prices 104.9 108.7 173.9 121.0 127.5 138.7 149.8 151.5 1.0 1.8 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0	116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.0 206.8 215.8 4.1 4.6 5.3 4.3	106.2 108.8 114.1 121.6 127.5 127.5 127.1 131.7 138.8 143.3 3.0 2.8 3.9 5.4	103.1 101.1 101.1 101.1 100.1 10
987 1988 1989 1990 1990 1991 1982 1994 1995 1994 1995 1997 100 qtr.1997 101 qtr.1997 101 qtr.1997 101 qtr.1997 101 qtr.1997 101 qtr.1997	1.4 FRANC Consorus priors 105.9 108.8 112.6 116.5 120.2 122.1 125.6 127.7 130.0 122.6 134.2 0.9 1.0 1.0 1.0 1.0	71.2 F Proteon selection 98.1 102.9 108.2 107.1 105.8 104.3 101.6 105.8 105.8 105.8 105.9 105.	107.8 111.5 115.8 121.5 127.1 132.3 135.8 138.2 141.5 144.9 149.0 2.7 2.8 2.8	103.0 104.1 105.2 109.8 113.4 115.6 118.1	B2.4 Bad cultural 104.7 102.9 104.2 106.1 106.1 106.1 106.2 102.7 102.0 102.0 102.0 102.8	0.7 ITALY Comments 111.0 116.5 124.2 131.7 147.7 153.9 160.0 168.6 175.0 178.2 1.5 1.6 1.7	102.2 105.7 112.0 116.2 120.0 122.3 125.9 131.6 142.0 144.7 146.6	111.6 118.4 125.6 134.7 165.9 161.8 167.8 172.2 175.3 181.6 3.8 3.4	105.5 109.7 112.3 118.8 129.6 134.5 136.9 138.1 158.1	103.4 Part 102.9 102.1 103.5 111.9 113.1 109.5 98.2 90.3 101.8 102.7 102.1 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 103.0	1.1 7.4 UNITED Conserved from 107.7 113.0 121.8 139.3 141.2 146.4 157.6 165.5 2.7 3.5 3.7 3.4 2.6 2.9 3.4	Fredzer prices 104.9 108.7 131.9 121.0 127.5 131.5 138.7 146.0 149.8 1.0 1.0 0.8	116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.5 198.0 206.8 215.8 4.2 4.1 4.6 6.3	106.2 106.2 106.2 114.1 121.6 127.5 127.5 127.7 138.8 149.3 3.0 2.8 3.9 5.4	103.1 101.1 100.1 100.1 100.1 100.1 100.1 100.1 100.1 100.1 111.1 112.1 114.0 107.1 114.1
1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 100 qtr. 1997 100 qtr. 1997 101 qtr. 1997 101 qtr. 1998 101 qtr. 1998 101 qtr. 1998	1.4 FRANCE Consciour priors 105.9 108.8 112.6 110.5 120.2 123.1 125.8 127.7 130.0 134.2 0.9 13.3 1.2 0.7 0.9 1.0 1.5 1.5	-1.2 Producer gricula 98.1 102.9 108.2 107.1 105.9 104.3 101.6 102.7 109.7 105.8 105.2 -0.8 0.9	107.8 111.5 111.5 127.1 132.3 135.6 138.2 141.5 149.0 2.7 2.8 2.8 2.8 14.0 149.0	103.0 104.1 105.2 109.8 113.4 115.6 118.1	82.4 Part 104.7 104.7 102.9 102.9 104.2 106.1 106.1 106.1 102.7 102.7 102.8 101.5 102.8 101.7 102.8 101.7 10	11.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 178.2 1.8 1.5 1.7	102.2 105.2 115.2 115.2 120.0 122.3 125.9 131.6 142.0 144.7 1.5 1.7 1.5 1.1	111.8 118.4 125.6 134.7 147.9 165.9 167.0 175.3 181.6 3.8 3.8 3.3	105.5 109.7 112.3 119.6 129.6 134.5 136.9 138.1 158.1	103.4 Part 102.1 102.1 103.5 105.7 111.9 113.1 109.5 96.2 90.3 90.3 90.3 90.3 102.7 102.1 101.8 102.0 10	1.1 7.4 UNITED Conserved from 107.7 113.0 121.8 133.3 141.2 146.4 152.4 152.4 152.4 152.5 166.5 2.7 3.5 3.7 3.4 2.6 2.9 3.4 3.5 3.5 3.5 3.5 3.5 3.5 3.5 3.7 3.7 3.7 3.7 3.7 3.7 3.7 3.7 3.7 3.7	Frotzer priess 104.9 108.7 127.5 131.5 130.7 140.0 140.0 140.0 1.0 0.8 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0	116.3 126.2 137.2 150.1 162.4 173.1 160.9 169.5 206.8 215.8 4.1 4.6 6.3 4.4 4.0 4.4 4.0	106.8 106.8 114.1 121.9 127.9 128.2 127.1 131.7 138.8 145.3 3.9 5.4 3.9 5.4 2.8 2.8 2.8	103.2 Real subharpart 101.1 100.2 101.1 104.1 103.9 93.7 108.1 108.2 111.4 107.1 111.2 111.4 107.1 109
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India boosts contract approvals

ances for pending infrastruc- tions imposed by the US and

India has approved a flurry ing hopes it will try to counter punitive economic sanctions by accelerating the sluggish pace of clearing

The day after sanctions US mining company, Phelps were imposed following Dodge, to prospect for copper india's five nuclear tests last in the eastern state of Bihar. week, P.R. Kumaramangathe cabinet had granted "in principle" approvals for sector," a New Delhi-based long-pending counter-guar- western diplomat declared. antees for three fast-track Over the next few weeks, power projects, including an official statement said. one involving a US company. India will issue more clear-

Subsequently, India said it ture projects, including other nations last week.

would speed clearance of investments in power, teleand immediately sign production sharing contracts for 18 exploration blocks. Five of the companies awarded such

contracts are from the US. "They are looking to put lam, power minister, said pressure on the US govern-

ment through the US private

prime minister, ordered have stailed many projects. Jaswant Singh. a Bharat-Also, India's Ministry of iya Janata party (BJP) fines awarded a licence to a leader, said yesterday the flurry of approvals following the nuclear tests was "clearly accidental"; the BJP

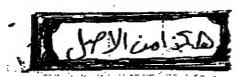
has always been committed to economic growth. BJP hopes that stepping up the pace of awarding long-stalled contracts will persuade US companies to lobby for an easing of the sanc-

long-pending proposals in oil coms, petroleum, and ports, quite astute," said the head exploration and production, after Atal Behari Vajpayee, of research for a foreign brokerage house in Bombay. "speedy" resolution of "it's clearly aimed at trying bureaucratic disputes which to soften the blow of sanc "It's clearly aimed at trying tions." The New Delhi-based rep-

resentative for a foreign oil company said he believed the government would now "bend over backwards" to get projects moving, if only tions were having no impact Many analysts believe the on India's economic prospects or its desirability as an investment destination. "They want to show the

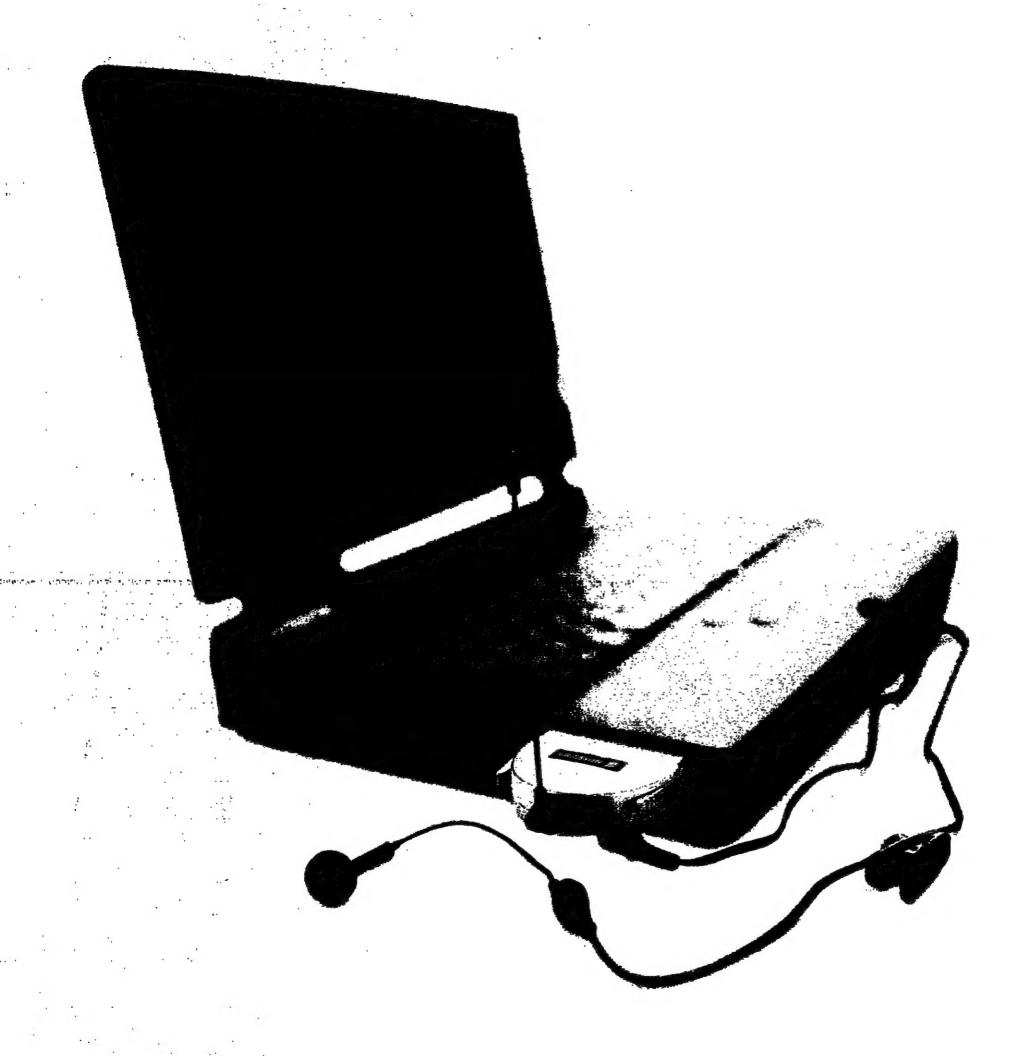
sanctions don't mean anything...that anything the US tries to do to them back-





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War crimes: the UN finds the courage for convictions

The United Nations is planning to set up a led the bloody regime, died last month but several of his permanent international criminal tribunal, but, asks Laura Silber, will it be effective?

tice, with plans on the table for the first permanent international criminal tribunal on a possible court to try

Although the UN has come under fire for failings in its peacekeeping operations and sanctions policies, the world organisation's judicial function has never been stronger nals now making their first convictions for atrocities in Rwanda and the former

Experience has showed that a system of international criminal justice is possible and that credible institutions can be created," says Jelena Pejic of the Lawyers' Committee for Human Rights, a human rights

Delegates from 150 countries hope to build on the experience of these two land- from 1975-1979. Pol Pot, who

nited Nations is gearing mark tribunals when they up to meet a growing world demand for jus-Rome next month to establish a standing international criminal court to try geno-

> The delegates remain divided over a host of issues. such as the scope of the prosecutor's powers, the role of the Security Council and the extent to which crimes committed in internal conflicts would be under the court's jurisdiction. Since none of the UN's 185-member states has opposed the court. its creation seems a certainty - what remains in question is how effective and independent the tribunal

crimes against humanity.

Diplomats at UN headquarters are also weighing a US proposal to the Security Council to establish a tribunal for Cambodia which would bring to justice the leaders of the Khmer Rouge held responsible for the killsenior aides remain at lib-

The US draft resolution calls for the tribunal to operate in The Hague, alongside the UN court for former ated in 1993. Louise Arbour cide, war crimes and other of Canada is the court's chief prosecutor and holds the same position for the Rwanda tribunal, whose seat is in Arusha, Tanzania.

The 15-member Security Council has yet to agree to give life to the Cambodia court. Diplomats say that of the five veto-wielding permanent council members. side intervention into domes tic affairs and also aided the Khmer Rouge, is against it hold a possible trial. In the run-up to Cambo-dian elections even support-

ers of the new tribunal wonder if the court might increase instability in the strife-torn country. Proponents of the permanent tribunal say the request for the Cambodian court

drives home the importance

creation of a permanent triinal," says Ms Pejic. Such a tribunal could have dealt with the events as they were unfolding. The Security Council could be paralysed in reacting to egreglous crimes, as evidenced by China's opposition to the Cambodia tribunal," she

underlines the need for the

Setting up the ad hoc tribunals was an arduous task. The Rwanda court, dogged by serious administrative and procedural problems. was even derided as a "travof their cause. "It starkly esty". A recent UN report

notes a slightly improved record but still criticised

It may be boosted after Jean Kambanda, the former Hutu prime minister of Rwanda, on May 1 pleaded guilty to six counts of geno-cide and crimes against humanity in his first appearance in the court. Critics said Mr Kambanda's admission was prompted by the dans - the international tribunal does not have a death sentence. More than 100,000 mostly Hutus have been

detained on charges of geno-

detention of Mr Kambanda in a "safe house" rather than in the Arusha prison, which could have put him under The court for former Yugo-

slavia has a much better record. The success of that tribunal (as will that of the proposed permanent court), however, hinges on the compliance of states in handing over indicted criminals to

nals such as Radovan Karadzic, former Bosnian Serb Mladic, Serb military commander during the Bosnian war, remain at large. Of 74 indicted suspects only 26 are in custody - many of whom arrived over the past six months. The court has found two suspects guilty with one

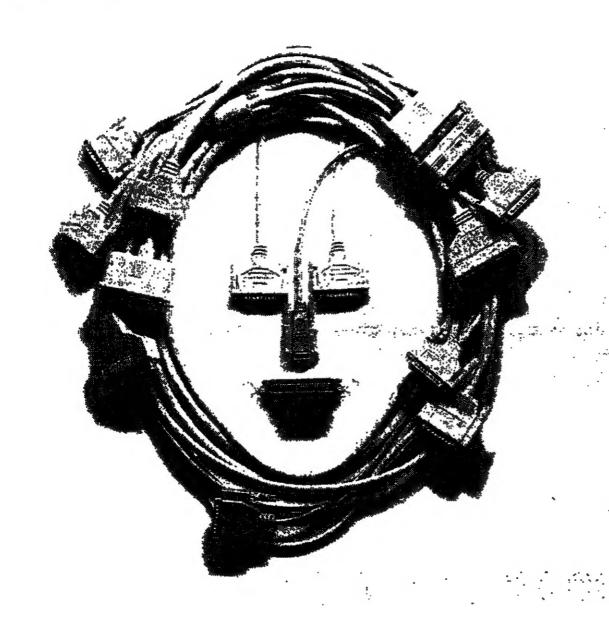
To cope with delays in bringing suspects to trial, the tribunal last week opened a second courtroom, The alter

tion from Britain. Gabrielle Kirk McDonald, tribunal president, this week warned that unless a third court room is completed, some of the suspects in custody will have to wait until the year 2000 to have their day in the

It is too early to determine whether the courts have helped reconciliation. John Bolton, an assistant secretary of state under President Bush who is a staunch opponent of the proposed permapent tribunal, believes that the ad hoc tribunals can undermine the process. There are plenty of situations where the search for justice can often be retribucontribute to the search for a political solution." he said, adding that it can give nations an excuse to avoid taking responsibility for

their crimes. He believes that tribunals should be set up on a caseby-case basis. But its supporters caution that a permanent court is necessary to avoid selective justice. "Why Rwanda and not Argentina, Liberia and Iraq." asked Ms

Pejic.
There cannot be a trade-off between peace and justice. Enduring peace can only be based on reconciliation which rests on justice.



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Mideast peace effort stymied

Judy Dempaey in Jarosalem

The US yesterday failed to in the Middle East peace process after Madeleine cent on the grounds any Albright, US secretary of state, held an unexpected meeting with Yassir Arafat, president of the Palestinian

Authority in London. The meeting, called late on Sunday night when Mr Arafat was attending a Socialist International meeting in Oslo, followed two rounds of talks between Mrs Albright and Benjamin Netanyahu. Israeli prime minister, in Washington last week.

The US wants Israel to accept a package involving the handover of 13 per cent of land to Palestinian control as part of a second israeli troop puliback from the West Bank, in return, the US said it would support the acceleration of final settlefocus on the future status of time define Israel's borders.

cent of land to be banded

Mr Netanyahu has insisted on handing back about 9 per more would jeopardise Israel's security.

Mr Netanyahu went on the defensive last night, denying Israeli media reports that he intended to hand over 13 per cent. "I did not agree to 13 per cent. This is not true. he said during a hastily convened press conference min-

there was no breakthrough this time," said Mr Netanyahu, clearly anxious to reassure his nationalist coalition partners that he did not cut any deal behind

Mr Netanyahu wants to postpone a third and final troop pullback until the start ments, and will for the first even though in the Hebron 1997 agreement, the Israeli The Palestinians have prime minister agreed to accepted the US proposals, carry out the three pullbacks although they had at first "not later than mid-1998."

NEWS DIGEST

EGYPT PRIVATISATION

Sale of first state bank postponed for three years

Egypt has postponed plans to privatise one of the four largest state-owned banks for at least three years, in spite of statements suggesting it would sell one of the banks this year. Yousset Boutros Ghali, minister of economy, told parliament that legislation allowing bank privatisation would not be

invoked before 2001. Earlier this year the government had suggested it would issue shares this year in one bank expected to be the Bank of Alexandria. Mr Boutros Ghali said that "unstable world markets" had led the government to back down from the bank sale. Kamai el-Ganzouri, the prime minister, recently stated that the aim of selling a stake in a public sector bank would be to

create competition between it and the remaining three state banks. The aim was not simply to undertake the privatisation of a state bank, but to allow it to exploit a degree of foreign shareholding which would energise the banking sector. The postponement reflects an increasingly ambiguous attitude within the government towards privatising banks. Mark Huband, Cairo

OSTEOPOROSIS TREATMENT

Drug may help fight cancer

Eli Lilly's drug for esteoporosis may be effective in treating breast cancer and heart disease, according to trial results released yasterday. Raloxifene, synthetic oestrogen replacement therapy marketed under the name Evista, showed a 70 per cent reduction in the incidence of newly diagnosed breast cancer in a study of 7.705 women. The drug also reduced cholesterol levels, a leading risk factor for heart disease.

Evista is being marketed to post-menopausal women who are candidates for destrogen replacement but do not want such therapy's side effects, which include continued menstru-ation. Victoria Griffith, Boston

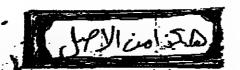
BIOTECHNOLOGY PATENTS

Cancer gene dispute settled

A legal dispute between two US blotechnology companies. Oncormed and Myriad Genetics, over patent rights to the two breast cancer genes, BRCA1 and BRCA2, has been settled. Oncormed will withdraw from the provision of breast cancer testing services and hand that business to Myriad, which will in effect have a monopoly over BRCA1 and BRCA2 testing in the US. But the two companies will continue to compete in the development of diagnostic kits and cancer treatments based on the two genes - potentially a far larger business then testing services. Clive Cookson, London

modifiers (

Sanclah His



Companies welcome deal on US sanctions

Robert Graham in Paris and Status Wagstyl in London

European companies and governments broadly welcomed the US-EU deal to head off US sanctions over trade with Iran, Libya and Cuba. The Spanish government, one of the most vehement opponents of US measures against investments in Cuba, said it was "very satisfied by the agreement.

Total, the French oil group with plans for oil developments in Iran, said: "This moves things in the right direction. The sentiment was echoed by BP and Shell. News of the deal came as a relief to Spanish companies

which have recently headed the list of EU investors in Cuba, with investments of more than \$100m there. Sol Melia. Spain's largest

Spanish companies visited Cuba last month to look into investment openings. Spanish business is hoping to capitalise on a recovery in official relations between Spain and its former colony, following a crisis in 1996. Spain has already lifted itself into the position of

deal but said: "Cuba is going wonderfully,"

The family-controlled years ago when it found itself on the US target list under the Helms-Burton law, which penalises foreign companies using property in Cuba expropriated from US

The group, which went into Cuba in 1990, recently agreed to add four more fivestar hotels to its Cuban chain, making a total of 12 A delegation from about 70

Cuba's leading European hotel group and Cuba's big-trading partner, with Spangest foreign operator, was ish exports to the island run-

group was alarmed two expressed confidence that a political solution could be found to the "extra-territo-

rial" Iran-Libya Sanctions

Act (ILSA). . . Last September Total led a consortium which signed a deal with Tehran to invest \$2hn in two offshore blocks in the gas-rich South Pars field facing Qatar in the Gulf. Total held a 40 per cent stake while Russia's Gazprom and Malaysia's Petronas each had 30 per

"We are still in the pre-engineering phase of the project," Total said yesterday. Although the threat of US sanctions has hung over the. project for eight months, planning has gone ahead

Total has throughout received the backing of the French government, which has vigorously challenged

the right of the US to claim imposing sanctions on comextra-territorial jurisdiction to punish companies invest-

Iran and Libya.

The composition of the consortium also limited the likelihood of a real challenge to the deal. Both Malaysia and Russia had opposed ILSA, arguing that this was not an effective way of punishing countries backing terrorismo. Prench officials said

panies investing more than \$40m in Iran risked being counter-productive at a moment when Tebran appeared anxious to normalise relations with the main industrial nations.

BP, which was founded on Iranian oil, has no active interest in any Iranian project, including South Pars, But it has opened a represen

price of eggs in the EU.

produced is prohibited by

Shell reacted cautiously, saying it was studying the agreement to assess the impact on its business. Shell has a stake in the South Pars project, but only in its later stages which involve constructing a gas pipeline to Pakistan. It has a small additives business in Iran

Clinton urges new, faster trade round

US President Bill Clinton ments to move speedily to a next year with discussions on agriculture followed quickly by talks on services and industrial tariffs.

But Mr Clinton warned that successful negotiations required governments to expute their citizens had full confidence in a more open trading system. He proposed that the WTO should therefore open its doors to outsiders in the form of a new labour, environmental and consumer groups who to give their views on trade

The WTO was created to lift the lives of ordinary citizens; it should listen to them," he told the opening session of this year's ministerial conference of the organisation. In a speech commemorating the 50th anniversary of the start of the multilateral trading system, Mr Clinton addres an audience that included Fidel Castro, the Cuban pres-

To speed up negotiations Mr Clinton suggested the next round should be conducted on a sector by sector basis, rather than the com-

around the globe in seconds, we can no longer afford to take seven years to finish a yesterday urged govern- trade round, as happened during the Uruguay Round," new round of trade negotia- Mr Clinton said. "There tions within the World Trade must be a way to tear down Organisation, beginning barriers without waiting for every issue in every sector to be resolved before any issue in any sector is resolved."

Mr Clinton promised once again that he would ask the US Congress for "fast track" authority to negotiate international trade agreements. Last year the Congress declined to give fast track authority to Mr Clinton, who is the first president in more than 20 years to have been denied it

The President's emphasia on labour, environment and social issues was directed principally towards his political constituency at home. especially his fellow Democrats, many of whom are opposed to trade deals that do not involve tough standards for labour and environmental protection. Engaging ordinary people in the advantages of international trade is a critical element of Mr Clinton's approach to the political challenge of increasingly globalised business activity.

Mr Clinton also called on pean. Union trade commis- prehensive approach allow discriminatory barrifavoured by negotiators in ers to stunt the development of the most promising new economic opportunity in decades." He also urged mation and money move more openness at the WTO.

Ruggiero offers olive branch on environment

Renato Ruggiero, directorgeneral of the World Trade Organisation, yesterday promised more dialogue with environmental groups to allay their fears that world trading rules threaten the

the WTO's second ministerial meeting in Geneva, Mr the WTO's committee on WTO dispute panels - most sion to han fur imports from

which has spent three years discussing trade-environment links without any tangible results, needed a in the eyes of the public. renewed political impetus". His clive branch coincided with an avalanche of attacks

by environmentalist groups The Worldwide Fund for Nature, which has promoted schemes for labelling sustainable timber and fish dards", imports, said decisions by

recently in the shrimp-turtle case - threatened to undermine the legitimacy of the international trading system Britain's Royal Society for

the Prevention of Cruelty to Animals said that exemptions to trade rules "had been interpreted narrowly by panels and...applied in a manner that has started to In his opening address to successful voluntary undermine measures taken to protect high welfare stan-

It noted that an EU deci-

animals caught with leghold conditions. The proposals traps had been weakened by a deal struck with Canada and Russia by the European Commission to allow their main trading obstacles to continued use in some cirraising animal welfare stancontinued use in some cir-

European member states had also failed to implement a ban, due to have come into effect in January, on the use of animals to test cosmetics. Finally, the Commission had been unable to persuade ministers to adopt its pro-posal setting minimum stan-

dards for battery hens' living

accordingly, more ethically produced goods would be unable to compete with cheapar imports. Most importantly, discriminsting among products on the basis of how they are

would have increased the ing "tariff and tax adjust-The RSPCA said there two ments" for raising the price of imports that fell foul of such standards. It also said dards. Unless import taxes they should offer improved and tariffs were adjusted market access to third com-

> Sir Leon Brittan, Eurosioner, has called for a high-level meeting to break the past. "In an era in which the logiam, an initiative that product life cycles are meahas been backed by the US, sured in months, and infor-

try producers that met such

Brussels heads for clash over genetic labelling

By Michael Smith in Brussels

is heading for a clash with European Union nations rule countries on this issue unless it heeds a call from them yesterday to change a controversial proposal on the labelling of genetically

Ministers from 12 of the 15 EU countries indicated yesterday they were unhappy with the Commission's plan to label foods if they "may contain" genetically modified organisms, with some arguing it would be of little use to consumers.

They supported a proposal by the UK, holder of the EU's rotating presidency, that foods should only carry a compulsory label if definitely proved to contain genetically modified organ-

The presidency said it had asked the Commission to reconsider its proposals because there was a qualifled majority for change. It EU member states.

Commission is able to overunless there is unanimous opposition from them. The danger of doing that is that it would alienate countries which would, in any case, be possis rigorously.

ised by consumer and enviwhich say they provide so many exemptions that they are unlikely to help food buyers determine whether the products contain genetically modified organisms.

Greenpeace, the environmental group, and Beuc, the European consumers' organisation, want enforced separation of modified and conventional crops. The US, where most modified crops are grown, opposes this, and there is little support from

hopes for an answer by . Benc said yesterday that if the presidency's proposals Under EU procedures, the were adopted, the regulation would apply to even fewer crops. Some 60 per cent of processed food : contains soyabean derivatives; many others contain maize deriva-

The directive's effects unlikely to enforce the pro- would be limited to maize and soys, but are seen as The Commission's propos- setting a precedent for other als have been widely critic; genetically modified crops. production of which is growing rapidly. The UK presiencys plan was supported y all countries except Swenmark and Italy.

As well as dropping the Commission's proposal for contain" -labels, it would lead to the drawing up of a list of products which would not be subjected to labelling require-

The Commission could consider the presidency's request to reconsider its proposals tomorrow but may do

Counterfeiting seen as threat to share prices

Consumer Industries Editor

Counterfeiting of branded counterfeited. Yet the conproducts such as drinks. designer clothes and luxury goods is a threat to the share prices of some of the world's biggest consumer groups, according to a survey of investment analysts and fund managers, published

The survey, carried out by CDR international, a UKbased consultancy on brand protection, found that a counterfeiting story affecting a company's brands was almost as big a threat as association with child labour subject to counterfeiting or human rights abuses.

A quarter of the analysts Rolex and Levi. and managers said a counterfriting scare would have a bigger effect on market sentiment than results below expectations or the resignation of the chief executive. A second survey published

anous consumers over coun- proprietary technologies to terfeits. Most were unable to distinguish between genuine and take logos for a selection by global spirits groups such of international brands such as Diageo and Allied Domecq at Nike, Gucci and Bell's to deter counterfeiters. Dev. a orch whisky. Most failed to ised by De La Rue Branddistinguish between real and Protection, a subsidiary of counterfelt goods. With the UK printing group, the

would be put off buying a company's products if those The office of the US Trade had a reputation for being

on average for a branded T-shirt than a plain one. More than 40 per cent said they saw no point in buying designer labels since most people would think they were fakes; 51 per cent said they would buy an imitation. More than 60 per cent believed they had seen counterfeit products in the past three months, rising to 81 per cent for under 35s. The brands most thought of as

sumers in the survey were

prepared to pay a third more

CDR found most market-ing managers had failed to recognise the threat posed by counterfeiting. Modern security features such as holograms were used by only one in 10; only a handby CDR shows confusion ful had registered colours or

included Nike, Calvin Klein,

protect them. • Holograms are now used counterreit goods. With 3-D holographic image on in the US to seek govern-the shrinkwrap seal is al-in per cent were unable to to per cent were made most impossible to copy, and alleged unfair trade prac-

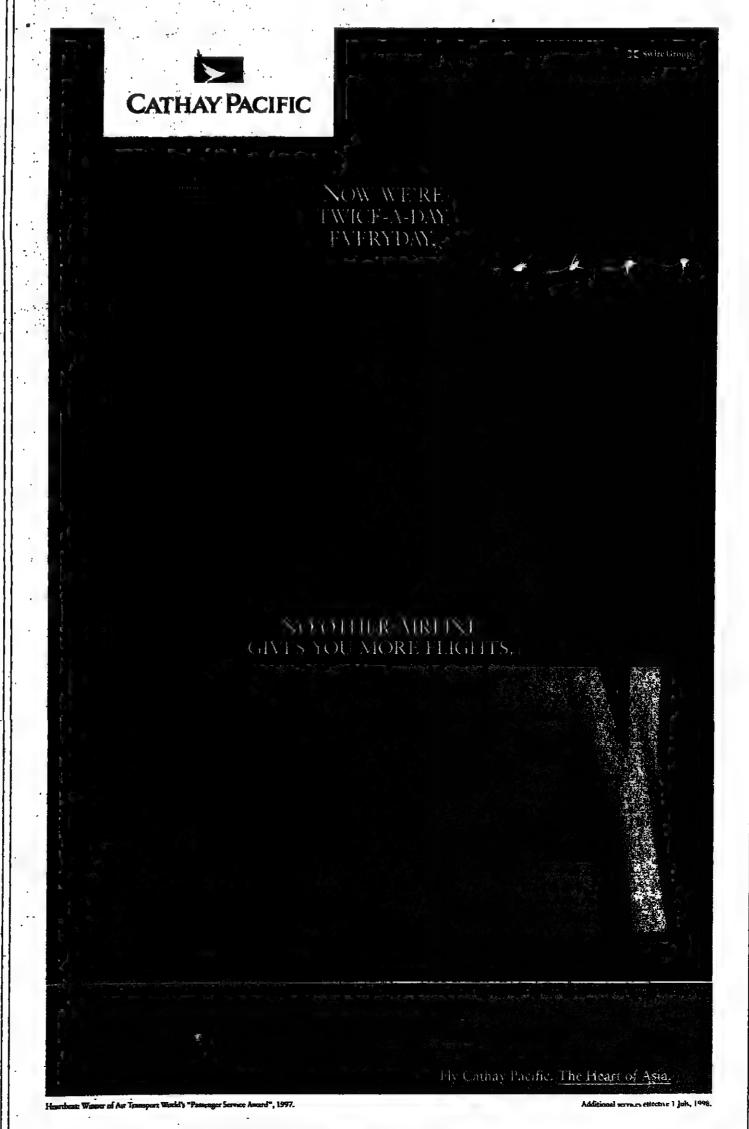
US to hold corn syrup inquiry

Representative yesterday announced it would launch an investigation into allegations that unfair trade practices in Mexico were barming US exporters of high fructose corn syrup, the sweetener used extensively in the soft drinks industry. The decision responds to a complaint from the Corn Refiners Association under Section 301 of the Trade Act of 1974. The complaint claims that in September 1997, "with the support of the government of Mexico", representatives of the Mexican sugar industry and the country's soft drink bottlers agreed to limit the soft drink industry's consumption of

The US refiners say practices in Mexico deny fair and equitable market opportunities for exporters of corn

"This petition raises serious allegations to be investigated," Charlene Barshefsky, US Trade Representative, said. The US will ask for immediate consultations

with Mexico. Section 301 investigations allow business and workers The risk of buying a fake an attampt to tamper with tices. Investigations must be meant 72 per cent said they the bottle is hard to conceal concluded within 12 months.



tiatic bank things year You arrive at a crossroads only to discover that the signpost has been blown down in a storm. You have no map. Which direction do you take?



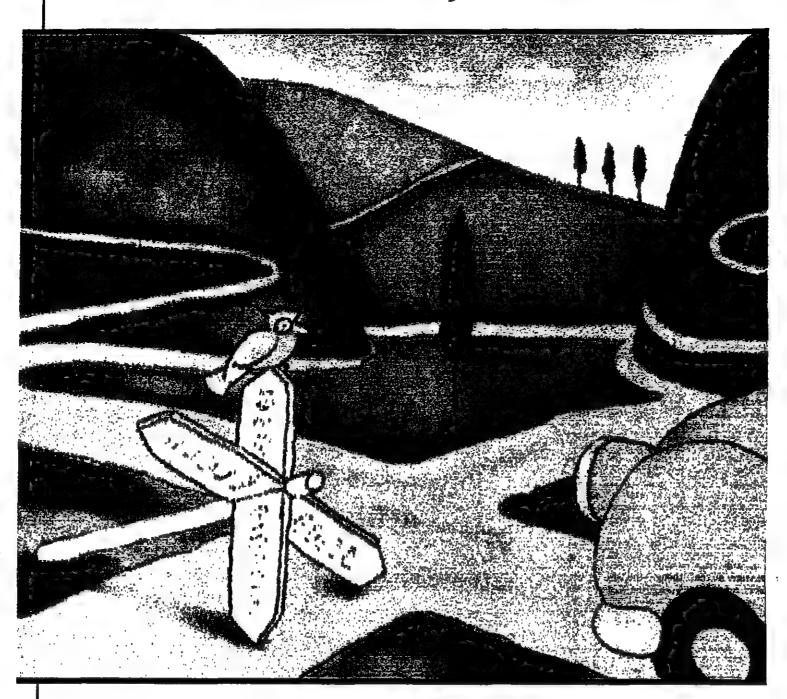
You have no map. Remember.



fig. 2 You lost your compass.



fig. 3
What good's a cellular
phone if you don't know
where you are?



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PARIBAS Thinking beyond banking

Channel rail link set for rescue

By Jonathan Ford and George Parker

years!

SHOWS

: intest

John Prescott, the deputy prime minister, yesterday looked set to approve a rescue package for the Channel tunnel rail link after receiving a cut-price proposal from the project's backers. The tunnel runs between

England and France. Under the new offer, Lon-don and Continental Rail-end of the project. ways is thought to be asking for an extra subsidy of between £600m (\$1bn) and £900m, compared with the £1.2bn rejected by Mr Prescott in January.

the uncertainty surrounding the future financial performance of the Eurostar high-speed train service. Should Eurostar's revenues grow more quickly than expected, this would allow the government to reduce its subsidy contribution - most of which is paid towards the

LCR is also understood to have withdrawn its demand for 10 years to build the link, and is now understood to be aiming for a completion date

The consortium was asked spend the next few weeks bill if the project collapsed, by the government to bid a examining the revised pro-range of subsidies because of posals, in consultation with mulated LCR debts and Geoffrey Robinson, a Trea-

Covernment officials handling the project have been in close contact with LCR over the last few months. and have made clear what Mr Prescott expects. Officials. believe it is unlikely the consortium would waste huge amounts of effort in drawing up a plan which Mr Prescott

Although the extra government subsidy remains substantial, the government

down a request for a further £1.2bn of public subsidy on top of the £1.8bn already £500m associated with the agreed. Under the new plan, loss-making Eurostar LCR would build the £5.4bu However there are still link in two stages with

expected to be hard negotiations on the details of the LCR package, including the key questions of the level of government subsidy, and on the completion date for the 68-mile link from the tunnel to St Pancras, London. LCR had been given until

ated by a consortium led by National Express, the coach and train operator, and British Airways, or by Richard Branson's Virgin Group. The the end of this month to come up with a new financposal envisages Eurostar ing package. Its first attempt trains being run to London's

structure group

financial assistance from

Railtrack the UK rail infra-

Eurostar would be oper-

Law firm wins fight for German alliance

Dy Teiteri Flice, Legal Corresponi

S. J. Berwin & Co, the City law firm, yesterday won the battle for German law firm, Knopf Tulloch & Partner stealing the specialist private equity adviser from under the noses of its London rivals. The firms are to form an exclusive alliance to explait the growing German and European private equity

The move underlines the determination of the UK's leading commercial law firms to gain a significant share of the lucrative Ger-

man legal services market.
It follows the announce ment this year of an alliance between Freshfields, the UK international law firm, and Germany's Deringer Tessin

Harmann & Sedemuod. Knopf Tulloch, a multi-dis ciplinary partnership of tax advisers, lawyers and accountants, based in Frankfurt, has built a considerable reputation advising the private equity industry in Germany since it was formed eight years ago as a hreakaway from accountants Arthur Andersen

Among its private equity clients are 3i, ABN Amro, UBS Capital, Alpinvest, Legal & General and Candover. The firm had been wooed by several of the UK's leading private equity legal advisers, among them the market leader, Ashurst Morris Crisp. Ashursts has recently opened an office of its own in Frankfuri.

S. J. Berwin, which has one of the strongest private equity practices in the UK, dentified Knopf Tulloch as a merger target from research carried out for it by London Economics. The firms are prevented from entering into a full merger at this stage by Law Society rules which pre vent solicitors [lawyers] entering into multi-disciplinary partnerships. The Law

Society is the governing body for solicitors in the UK. David Harrel, S. J. Berwin's senior partner, said opportunities in the German and European private equity

In 1996 Germany was the most active continental European market for management buy-outs with a total transaction value of £1.2bn (\$2bn). In the 10 years to 1998, Germany was also among the top four European destinations for MBO investment from UK sources According to German aca

demics, there are about 700,000 family-owned Mittel*stand* companies in Germany which will be looking for new owners over the next 10 years. In addition, several big German companies, such as Daimler and Hoechst have sold lossmaking divisions recently to focus on core businesses and this trend is expected to continue. The private equity

NEWS DIGEST

NORTHERN IRELAND

Clinton appeals for Yes vote in peace referendum

President Clinton yesterday made an emotional appeal for a Yes vote in Friday's referendum on the Northern Ireland peace deal, urging the province to opt for hope over fear. "If I were testant, which I am, but living in Northern Ireland instead of the US, I would be thinking about my daughter's future and her children's future."

At a press conference after the summit between the European Union and the US in London, Mr Clinton warned unionists the risks of backing the agreement were much less than the risk of "having everything fall apart". Tony Blair, the prime minister, told the conference that the people of Northern

Iraland faced an "amazing" future if peace could be achieved.

Meanwhile, a former senior official of the Protestant Orange Order has backed the Ulster peace accord, giving a badly needed boost to the Yes campaign. Warren Parter says in an article in today's Irish Times that the Stormont agreement represents "the lesser of two evils" and calls for fellow Orangmen in the 70,000-strong Loyalist organisation to back David Trim-ble, leader of the Ulster Unionists, the largest pro-British party. Liam Halligan, Belfast; David Wighton, London

US MINE FRAUD

Three convicted in London

Three businessmen were convicted at London's central criminal court yesterday on charges of conspiring to defraud shareholders who invested almost £30m (\$50m) in the Butte Mining company, which was set up in the late 1980s to exploit mineral deposits in Montana in the US.

Clive Smith, the entrepreneur behind the ill-fated venture, John Clarke, a former Butte director, and Kenneth Clews, managing director of Robertson Research, a mining consultancy will be sentenced on Thursday. A fourth businessman, Roy Bichan, a former non-executive chalrman of Butte and former deputy chairman of the Welsh Development Agency, was acquitted of two fraud charges last week

The trial of the three convicted men lested 11 months and followed a three-year investigation by the Serious Fraud Office into the affairs of Butte Mining. John Meson, London

MOBILE PHONE NETWORKS

Auction may raise \$2.5bn

Licences to operate the next generation of mobile phone networks are to be sold next year in an auction which could raise up to \$1.5bn (\$2.5bn) for the government.

Barbara Roche, trade and industry minister, said yesterday that the new generation of mobile services - known as unlversal mobile telephone systems or UMTS - offered prospects for new jobs, services and investment in the UK. It is thought that between three and five licences will be awarded. The competition will be open to all-comers, UK-based or from oversees, subject only to a basic pre-qualification.

Today, Ms Roche chairs the European Union Telecom Council at which a draft decision aimed at promoting UMTS in the EU will be considered. Alan Cane, London

PRIVATE SCHOOLS

Fear over ghettos of wealth

Britain's private schools are becoming increasingly exclusive. ing diseatisfaction with the state education system, according to a survey published today by the Independent Schools Information Service.

The finding, from a poll of more than 700 parents by Morl, the market research company, raises fears that fee-paying schools could become ghettos of exclusivity long before the government's assisted places acheme, which offers subsidised places to children from poor families, is fully phased out in 2006. Simon Targett, London

INVESTMENT

Tax free scheme attacked

Benchmark standards for Individual Savings Accounts, the tex-free investment that will replace personal equity plans and tax-exempt special savings accounts next April, will "bring flexibility and peace of mind to the savings market", the government insisted yesterday.

But the proposals were savaged by some influential savings industry figures. "If the government proceeds with its current thoughts, it will ensure that [benchmarked] unit trust ISAs are sold in bucket loads," sald Philip Warland, director-general of the Association of Unit Trusts and Investment Funds. "But it will be economically ifilterate, politically inept and lethal for some consumers." Jean Eaglesham, London

Delay by Treasury taxes patience of offshore industry

Oil sector opposes radical fiscal change but wants an end to uncertainty, reports Robert Corzine

he offshore oil industry is becoming increasingly frustrated waiting for the government to produce its consultation document on new taxes. The document was due last month.

"We're getting no feedback from the Treasury," says James May of the UK Offshore Operators Association. the trade group for the 37 companies that explore and produce oil and natural gas in UK waters.

in recent months, companies have deferred some projects because of uncertainty over taxes and low oil prices. Executives warn that the UK's attractiveness as a destination for investment is being undermined by uncertainty at a time when low crude prices threaten to dampen capital expenditure on new oil and gas projects.

The industry was jolted in March when the government which expects to receive shore taxes in the 1887-96 tax sector was 45-50 per cent. North Sea discoveries has total industrial investment higher offshore taxes on year - declared the present rather than 30 per cant for fallen steadily. had hoped that low prices high as 69 per cent;

By Gautam Melicani in London

ing, yesterday ruled out a

was "fierce" and favourable

for British consumers.

alternatives to the present system, under which developers of new fields pay corporation tax at the standard

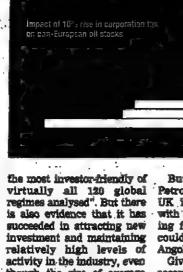
30 per cent.
One involves the imposi-tion of a supplementary corporation tax. The other option called for the re-introduction of a profits-based petroleum revenue tax. which had been abolished for new fields in 1998.

The impact of the new taxes would vary widely between oil companies, prompting some observers to speculate that ministers wanted to divide the industry, which had maintained an unusually united front in the run-up to the Budget

In recent weeks, the industry has kept up its lobbying effort to dissuade the government from making radical changes. This week UKOOA wrote to Tony Blair, taking him to task for remarks made in the House of Commons last weak when the prime minister said the UK oil industry enjoyed an "enompously favourable tax

UKCOA countered that

out of the market. "Competi-



The past eight years have

seen pump prices fall by about a third in real terms,

excluding duty and value

added tax. The report said

Petroconsultants notes, the industry expert-UK is not just competing Angola or Argentina.

effect on pump prices, which were largely determined by

tax and distribution costs.

But as Steve Parish at stances", according to one Oil men appear confident

with Norway: "It is competing for global capital that of the sector shows little or that their detailed analysis could just as easily go to no spare "taxable capacity". But executives admit that Given that the oil industry the government might dislast year, ministers are jobs. The worst outcome,

arrangement to be "unsatis- new projects, and that the . The UK regime is especied to be careful in set- they say, would be if the factory". Many companies rate on some fields was as cially attractive when ting a new tax regime. In consultation document is had hoped that low prices high as 69 per cent: viewed against Norway, recent weeks, officials have beavy on political justificawould deter ministers from tinkering with the tax regime.

But in the last Budget, the supposed that tow prices where the total "state take", reviewed in detail the two tion for new taxes, but light tinkering with the tax taxes, and the total "state take", reviewed in detail the two tion for new taxes, but light regime.

But in the last Budget, the "current UK fiscal system is light of current circumtors in the supposed in the total "state take", proposals to ensure that the namelysis they say is needed in the supposed in the tax taxes.

Petrol market spared monopolies referral dence of predatory or collu-sive behaviour by hig retail. . . I do not believe that man said the 40 per cent market has grown from 5 per John Bridgeman, the UK's ers that was "intended to lower prices indicate preda-drop in the cost of crude oil

cent to 23 per cent. The Petrol Retailers Association criticised the report for not reflecting the current position of the petrol retailing market. It said consum-Since the last MMC inves- ers in rural areas faced high tigation in 1990, which also prices and extensive clotion promotes market effi- supermarkets pricing behav- concluded that the industry sures: "They have missed a Mr Bridgeman said his ciency, keen prices and con- four reflected a low cost base was competitive and operat- big opportunity to help conreview had not found evi- sumer choice but inevitably and competition with other ing in the public interest, sumers get a better deal." industry welcomed the link.

Arms-to-Africa company 'told of UN embargo'

fourth referral of the petrol that competition between

retail trade to the Monopo- supermarket and oil com-

lies and Mergers Commis- pany forecourts had

sion, saying that competition squeezed some independents

By Andrew Parker and Jimmy Burns

Sandline, the British military consultancy, was told in January that shipments of weapons to anyone connected with Sierra Leone would breach the United Nations arms embargo. Robin Cook, the foreign secretary, told the House of Commons yesterday.

The meeting, held nearly two months before West African forces toppled a rebel government in Sierra Leone, was disclosed as Mr Cook announced the appointment of a retired civil servant to head an independent inquiry into the

Mr Cook said the inquiry would begin immediately as Customs and Excise announced it would not recommend prosecution of Sandline International, the British company accused of breaching a UN embargo by supplying arms to Sierra

Leone.

Mr Cook said that lieuten. executive of Sandline, met Foreign Office officials in meeting was Craig Murray, official encouragement

deputy head of the FO's Africa desk. However, it was not until February 18 that officials alerted Customs to Sandline's activities. Sandline insists that its activities were approved by the

Mr Cook's decision to appoint Sir Thomas Legg, former permanent secretary at the Lord Chancellor's department, to head the independent inquiry was attacked in the Commons. The Lord Chancellor is the senior government law

government, and did not vio-

late UN security council res-

Menzies Campbell, the Lib-eral Democrat foreign affairs trol panel. spokesman, said Mr Cook should have gone outside Whitehall and appointed a judge. He also claimed Tony Blair, the prime minister, had undermined the Customs probe by dismissing the arms to Africa affair as a "hoo hah".

ant-colonel Tim Spicer, chief public. The inquiry will However, the committee establish what was known London to discuss Sierra about plans to supply arms inquiry which blamed the Leongon to discuss overta and whether there was any two pilots who died in the

MPs clear **Boeing** helicopter in crash

By Jimeny Burns and Liam Halligan

director-general of fair trad-ing, yesterday ruled out a The report acknowledged Bridgeman. 1998 had had a minimal

defence committee yesterday said it had found no "compelling evidence" that technical failure was the cause of which 25 senior intelligence personnel died on the Mull of Kintyre on the west coast of Scotland,

The MPs also accepted the reported assurances by the manufacturer of the helicopter, Boeing, that there was only a minimal risk to flight safety in the event of "debonding" between key components and the flight con-

"While we make no judgment on the immediate causes of the crash ... we conclude, on the basis of the evidence presented to us, the Chinook Mark-2 fleet appears to be operating reasonably safely and reliably." hoo hah". the committee concludes in Mr Cook rejected a call by a report published years day opposition Conservatives for and welcomed last night by the inquiry to be held in the Ministry of Defence. refused to endorse the findby ministers and officials ings of an RAF Board of

No se lo pierda...

. The European Commission and the Andean Community are organisis the EURO-ANDEAN FORUM 98

a two-day economic event to promote co-operation, trade and investment between BJ Member States and the five Andean Comm countries : Bolivia, Colombia, Ecuador.

A sapidly graving Terrator.

Harber of our 200 million.

Den't miss out... record train and investment. Include of the name ments of this is that, over

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my session will be opened by contacts and to action's for latine hashess

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PROFILE TONY REIS. SWISSCOM CHIEF EXECUTIVE

Veteran holds the line

William Hall meets a telecoms chief facing a tough challenge in Switzerland

Swisscom. has determined to win market accepted a challenge that would daunt the management of the best run Swiss multinationals, let alone the untested managers of one of Europe's last state-owned telephone monopolies.

At 56, an age when most of his former International Business Machines colleagues are practising their golf swing. Mr Reis has been given less than a year to transform one of Switzerland's most bureaucratic businesses into a shareholder friendly company that can be floated on the international stock market.

His task is complicated by the fact that Swisscom is for the first time facing serious competition in its home market, while the fast-changing alliances in the international telecommunications industry raise questions about the long-term survival of medium-sized national operators such as Swisscom.

Swisscout, which employs about 20,000 people, will be the first leading European telecommunications com-January's liberalisation of the European market. The government gave approval for the flotation last week. Switzerland has a new regulatory system that is starting to make life difficult by ordering Swisscom to cut its interconnection charges to

encourage new competitors. Switzerland is a natural target for global telecommunications operators. It is the ket in terms of international phone traffic. Its charges are among the highest, and there is an above-average density of high-use business customers in a few centres.

Swisscom owns one of the world's most modern digital telephone networks and it is one of the world's most effi-

Tony Reis, the new communications and Deutchief executive of sche Telekom, which are share by cutting prices.

> One of Mr Reis's first tasks scom's pricing strategy. Instead of cutting tariffs across the board, he is differentiating prices and even quality of services. He intends to move up the value chain by bombarding the market with services. ' business wants is solutions This is what we are focusing

on," says Mr Reis. One example is a pilot project in Bern, which allows a driver to check via mobile phone the availability of parking in a car park. Mr Reis believes that Swisscom can win back customers in areas such as data ser-

vices, not because it is less expensive than its competitors but because customers have discovered that service level goes with price. If there are "mission-critical applications" where a whole business depends on telecommunications, customers will be willing to pay a proper price. he argues.

It is early days but Mr Reis appears to be making an impact on a company traditionally renowned for its engineering prowess rather than its commercial skills. "The problems when a company changes direction are the same in IBM as in Swisscom," says Mr Reis.

Mr Reis, who joined as Swisscom's marketing chief in January 1997, has reshuffled his management team since his appointment as Only two members of Swisscom's nine-strong ton management remain from the days of the old Swiss PTT.

The 17 regional managements have been cut to four. and services where Swisscom does not have a core competence are being outsourced. The organisation clent operators in terms of has been renamed Swisscom productivity ratios. But its and its new corporate identechnology is a temporary tity has been translated on advantage in the face of to 13,000 public telephone financially strong competi- cabins, 7,000 vehicles, and tors, such as British Tele- 350 buildings,



Tony Reis: optimistic about Swisscom's ability to compete

Swisscom is never going to sell itself to international investors as a growth stock. Nevertheless, it will have to continue growing to offset the impact on its SFr10bn (\$6.7bn) a year revenues of lower prices and loss of market share. An important part of its growth strategy is its policy of "home market extension" into neighbouring regions whose combined population for exceeds Switzerland's 7m. It has started competing with Deutsche Telekom in the state of Baden-Württemberg in Ger-

Strasbourg's local electricity company to enter France's Alsace region, and will soon. move into northern Italy. Such moves are designed to carve a future for a medium-sized telecommunications company in an industry of emerging supranational carriers. But Mr Reis still needs to make sure that Swisscom backs a winner in the growing horse-

trading over strategic inter-

national telecommunications

many, joined forces with

allianess. For the moment Swisscom's main thrust is via Unisource, along with Sweden's Telia, and the Dutch PTT, which works in partnership with AT&T. But tt has proved to be a rather shaky alliance in terms of its shareholders.

Nevertheless, Mr Reis is upbeat about Swisscom's ability to compete alongside the leading companies in the industry. He sees greater differentiation between those who provide the network infrastructure versus those who provide the products and services that run on those infrastructures or highways. "You do not have to be the owner of a highway to be a very successful transportation company," he says The second reason for his

optimism is that the global telecommunications market is becoming more complex. The name of the game will be managing complexity for customers. "It is not a question of size but a question of knowhow and trust," says



Seiler leaves UBS before merger with SBC

Urs Seller, 49, one of Union Bank of Switzerland's most senior executives, is quitting ahead of UBS's merger with Swiss Bank Corporation, its smaller rival.

Seiler, responsible for country risk management, project finance and trade finance at UBS, had been offered the job of chairman of the emerging market activities in Europe, Africa and the Middle East, of Warburg Dillon Read, the investment banking arm of the enlarged UBS. However, he turned the post lown because of "difference over the business approach* In his new area of responsibility.

The departure of Seiler, who has been with UBS for 14 years, is the latest sion of the growing dissatisfaction among UBS veterans at the way mos of the top positions in the enlarged group are being reserved for SBC executives.

 Andrew Feldman is joining Rebobank international as head of Investment banking for the Americas, based in New York. He is moving from Chase Manhatlan, where he www.ineacl of derivatives marketing in the Americas. Feldman will also be head of sales for fixed income and

NIKKO SECURITIES GLOBAL HOLDINGS has made two new appointments In its group risk division. Carol Alexander is joining as a director to head the market modelling group. Until recentiv, she was a lecturer at the University of Sussex and was academic director of Algorithmics, Bernard Peh is joining as a director to set up a credit modelling group in the group risk division. Peh is transferring from Nildto Asia in Hong Kong. SALOMON SMITH

BARNEY has appointed

rice-president in fixed income

Kozue Kanamori

Anton Affentranger, 42, head of commercial banking and another member of UBS's enlarged executive board, has loined Lombard Odier, and Ulrish Grete, head of resources at UBS, has also

Last week Gerhard Heinrich 46. UBS's most senior banker in Germany, defected to Credit Suisse First Boston and Jim McCaughan, chief executive of UBS Asset Management in the US, has joined Oppenheimer Capital, unit of PIMCQ Advisers, as president. William Hall, Zurich

Politzer joins **ING Barings**

ING Berings, the Investment bank owned by ING, has appointed Gabriel Politzer managing director and deputy regional head of emergin markets and high yield debt and derivatives for the

Americas. Politzer, 38, is joining ING Barings from Union Bank of Switzerland, which is merging with Swiss Bank Corporation. Based in New York, he was

managing director and deputy head of global emerging markets at UBS, focusing particularly on local markets in Latin America.

At ING Barings Politzer will lead the investment bank's local markets and structured products business in the Americas region. He will be based in New York and will report to Jose Berenquer. global co-head of the emerging markets and high vield debt and derivatives

"ING Barings has a long tradition of leadership in Latin American debt markets, and we are delighted that Gabriel is joining us to help build on our successes in the region," said Berenguer. William Lewis

Turner appoints fund directors

Ted Tumer, billionaire founder of CNN, environmentalist and spouse of Jane Fonda, the ctress, has named the board of directors who will help him carry out his well-publicised pledge to give \$1bn to the United Nations.

manager of the agricultural

responsibilities as chief

sector, will assume additional

operations officer, Monsanto

Ag Sector, and co-president,

ANDERSEN CONSULTING

has promoted William Green

to global managing partner for

Europe/Africa World Area,

initiative Wirth will manage the operations of the foundation, which will have offices in Washington and New York. Stephen Fidler

Tomorrow the body he has

set up to give the money

away - the United Nations

Foundation - will announce

where the first grants will go.

The board will be headed

by Turner, who turns 60 this

year. It also comprises Ruth

Cardoso, Brazil's First Lady

Rothschild, London-born

Earth Summit and

former US senator

Colorado and US

long-standing Canadian

and a noted academic; Emma

economic historian and fellow

of King's College, Cambridge;

Maurice Strong. secretary-general of the 1992

government official now active

n business; Timothy Wirth, a

under-secretary of state for

global affairs from 1993-97;

Andrew Young, former top

aide to Martin Luther King,

ambassador to the UN and

two-term mayor of Atlanta:

and Mohammad Yunus,

founder of Bangladesh's

Grameen microfinance

President Jimmy Carter's

Moving places

sales where she will be responsible for covering Japanese Institutions in Europe. Kanamori joins the firm from Merrill Lynch. Stephen Lui has been sppointed director and rice-president - Chinas/Korus SMITHKLINE BEECHAM INTERNATIONAL LLI has held meny positions in the charmaceutical Industry, in 1996 Lui founded his own consultancy for developing non-competitive opportunities in Greater China, while t at the same time he continued his rivolvement with Zeneca China as mon-executive vice-chairman. He is currently the chief representative of the China Britain Trade Group for Southern China and is vice-chairman of the British Chamber of Commerce In

Hong Kong and chalman of

MONSANTO has recently

Auxentans, currently executive

lbs Chins Committee.

ennounced that Bernerd

vice-president and general

its newly-formed resources merket unit. Niels Conraden, 39, has been appointed group sales and marketing director of REGUS, Europe's largest operator of fully serviced business centres. He was formerly head of sales for TNT Worldwide.

 IOMEGA CORPORATION has ermounced the appointment of Jim Taylor sa executive vice-president. globe) sales and marketing and William Hake as vice-president, Worldwide OEM sales. Taylor was corporate senior vice-president and president.

merketing services at Gateway

A PROGRAMME TURNSTO

李子·李子· 开心大道 "我们,这多。"

2000. Hake joins lomega from Seagate Sales and Technology Corporation ■ HARLEY-DAVIDSON has appointed John Russell vice-president and managing director for Europe, Russell, a former director of Rover Group, will have responsibility for all of the company's business activity in Europe, the Middle East and Africa. In 1996. Russell resigned from the Rover Group to lead a team of Warwick University consultants on a turnround project for India's largest

 Barbara Buikin has been named head of a new privatization business development group formed by Swiss Re New Marters Corporation, Buffdin is a Dallas-based director of Swiss Re New Markets and chief executive of the Facility Insurance Corporation, a recently privatised workers compensation insurance facility based in Austin, Texas.

BUSINESS AND THE LAW

UK firm in landmark public securities deal

Allen & Overy has broken a US stranglehold on advising underwriters, says Richard Forster

After a well-queumented propaganda war between US and UK law firms, Allen & Overy has become the by talking up the need for experifirst UK international law firm to ence in handling the SEC, by complete a public securities deal In the US advising a group of US

The global issue of \$500m 6.2 per cent global notes due 2003 by Bear Stearns and launched on March 21, marks a psychological breakthrough in the battle for international securities work. The global note issue, which

was registered with the US Securities and Exchange Commission (SEC) and listed in London and Hong Kong, has broken the mould for UK firms. Jeffrey Golden, head of the US

The underwriters are properly characterising the Bear Stearns notes as 'global'. One jurisdiction did not have a monopoly on all the relevant issues. "The fact that we could cover

advice under one mot proved to be a tremendous advantage. "When accessing the global they see a law firm that feels table). bound to wave a

US lawyers have been successful in the past in keeping the English firms out of their market arousing fear over relying on a UK firm's opinion in case of litigation by US investors, and by pointing to the lack of in-depth US tax and disclosure experience

among UK firms. firms report that US lawyers are still trotting out these arguments

A recent survey by international Financial Law Review of

The issue was done law group at Allen & Overy, said: off the bank's US domestic shelf programme

US, English and Hong Kong law advisers on international bonds confirmed that UK firms had still not done US public deals for their underwriter clients despite four capital markets, clients will to six years' investment in US understandably be nervous if securities capability (see securities capability (see

So does the Allen & Overy deal

The UK firm advised bookrunner Bear Stearns and a who's who of US banks including Lehman Brothers, Morgan Stanley, Chase Manhattan, Salomon Brothers and Citibank.

Bear Stearn's regular US counsel. Kromer Levin Naftalis Nes sen Kamin & Frankel, lacked the global reach for the debut international issue by the US bank and would have needed to work in tandem with international counsel. So the banks sought a Indeed, UK international law single firm as outside

The fact that they turned to a UK law firm rather than US counsel should not be underplayed - due diligence had to be done on the US parent to SEC standords and 65 per cent of the issue was placed in the

On provious Yankee and global deals lead managed by the bank, New York heavyweights Simpson Thacher & Bartlett and Cravath Swaine & Moore had been counsel to Bear Stearns.

The issue was done off the bank's US domestic shelf programme. Allen & Overy having advised on the setting up of Bear Stearns' Euro Medium Term Note programune. "It is part of a trend, because a

number of issuers have US pro-

grammes and Euro programmes

Sound advice: The UK leads the way

Burn 144A - Stobal 2 Allian & Chary (UK) 2 Cilliani Caston (AP) House March White Gild Com Cottico Sann & Humani dua Seem A. Serling AUS Ornic Polic & Wantered (US) Ban I Marin (15

> ech and de net percect to be extensive. This return to broke at first care Child boack for 1967. dies limed (in IEEE) deur segmente une changelieg of the legion in them hab sections grow terms when the factor of the legion in the change in

have a single programme," said Andrew Ballheimer, the capital markets partner with Allen & Overy in New York who led the firm's team on the Bear Steams

A Brown Wester Hall Labor (See

10' Sullivan & Coopment (US)

"The clients have the choice of having two firms - the US firm for the US aspects and an English firm for the English aspects - or of coming to us who can handle both aspects.

team is of high quality and at east as good as the people at the principal US firms," he said. Having hired 40 US-qualified lawyers in four years based in New York, London, Milan and Hong Kong, Allen & Overy has overcome the objections of US clients to accepting the legal opinion of a non-US law firm for pub-

lic deals. This opinion, known as the 10b-5 opinion in reference to the federal anti-fraud rule of the 1934 Exchange Act, is assurance by the lawyers that there is nothing that has come to their attention home country flag to represent a landmark in and it does not make sense have which is misleading about the protect its patch," he said, global legal services? ing the cost of two if you can information disclosed to inves-

tors, or, for that matter, is that the artificial barrier

information omitted by the Fear of US investor litigation means that market practice on disclosure differs little whether the deal is public (SEC regis-

tered) or private (done under

Rule 144A). But until now US

lawyers at UK firms had been restricted to representing "People recognise that our US 'Our US team is at least as good as the

people at the principal US firms'

underwriters on private Rule 144A deals sold to US pension funds and insurance companies.

The only issue is if the 10b-5 opinion is acceptable to the ciient, and if it is acceptable on the Rule 144A deal how can it not be on the registered deals? The true The author is the editor of Inter-

has come down," said Mr

As well as US and English opinions, the firm also provided the underwriters with advice on the Hong Kong listing. The transaction opens up the possibility for more global bond deals for UK firms, particularly for US issuers wishing to combine US domestic offerings with international placements. For that reason it must be seen as a landmark in global legal

Services. It remains a big step for a UK firm to act as sole underwriters' counsel on the headline flotations or privatisations that have significant placings of securities in the US public market, but Allen & Overy is understandably

"Our vision of an integrated, high quality, global legal service has been recognised and is required by the market," said Mr

significance of this deal national Financial Law Review.

LEGAL BRIEFS

White & Case trio join New York office of Linklaters

Truman Bidwell, Marianna Rosenberg and Robert Smith, former partners of White & Case, the US international law firm, have joined the New York office of Linklaters, the UK international law firm. The three US lawyers, who joined Linklaters last week, are recognised worldwide as one of the strongest US-based asset finance teams. Linklaters' current US practice worldwide comprises nearly 40 securities and tax lawyers, 17 of whom are based in New York.

Tax head named

Reg Nock, a former barrister and tax lawver with Deloitte & Touche. the accountants, has been appointed head of tax in the London office of Eversheds, the national law firm, Mr Nock will concentrate on business development within the tax aphen



as well as continuing to offer his specialist expertise in stamp duty. His arrival takes Eversheds' corporate tax group in London to

Taiwan expansion Baker & McKenzie, the world's

largest law firm, is opening a second office in Taiwan, Based in Hsin Chu, 90 miles south of Taipei, the new office is designed to take advantage of the rapid growth of computer and computerrelated industries in Hsin Chu's industrial park. The Hain Chu office is the firm's 59th office around the globe and its 12th in the Asia-Pacific region, The new office will be fully integrated with the firm's Taipei office, opened in 1977, and the combined operation Will consist of 45 lawyers.

Double taxation convention in line with treaty



The double taxation convention between Germany and France was not contrary to Treaty of Rome rules on equal treatment and free movement of workers, the European Court of Justice ruled last week.

The case arose out of an application by Mr and Mrs Gilly in the Strasbourg Administrative Court challenging the amount of tax Mrs Gilly had been charged by the French authorities.

The Gillys lived in France, near

German national who had also ty's objectives, it did not confer acquired French nationality by marriage, taught in a state school in the frontier area of Germany.

France and Germany had signed a convention to avoid dou- whether the aty's free move- free movement of workers. It ble taxation. It was applied to ment of wor. s provisions pre-Mrs Gilly to calculate the tax cluded the arplication of meacredit to be set-off in France sures such as those in the against the tax she paid in Germany.

The Gillys argued that the application of the convention had frontier workers differed dependresulted in unjustified, discrin inatory and excessive taxation, private or public sectors. incompatible with the treaty. The Strasbourg court referred the matter to Luxembour2.

the German border. Mr Gilly, a that although the abolition of ing them. The regime for teach-

on individuals any rights which they could rely on before their national courts.

The Court then considered convention. Those provisions stipulated that the tax regime applicable to

ng whether they worked in the Where they worked in the pubwhether they had only the

French national, taught in a state double taxation within the Euro- ers also differed depending for allocating their taxation pow- those who exercised their freeschool in France. Mrs Gilly, a pean Union was among the treat whether their residence in the ers as between themselves with a dom of movement in that it state they were teaching in was. short or not.

The Court said the issues raised by the Gillys fell within the scope of the treaty rules on noted there was not yet a harmonising measure for the elimination of double taxation at the

Member states therefore

remained competent to determine

income and wealth with a view to eliminating double taxation. lic sector it also depended on criterion could not be discrimination under the treaty, as it flowed

view to eliminating double taxa- allowed an element of double taxtion. Nor was it unreasonable for

member states to base bilateral

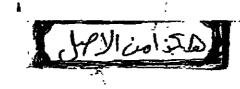
agreements on internationally accepted practices and principles. such as the paying state rule. Under that rule, remuneration paid to a person having the nationality of the other state

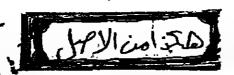
the first state, is taxable in the the criteria for taxation on taxpayer's state of residence. Therefore the free movement of workers' rules did not preclude The convention's nationality the application of provisions such as those in the convention.

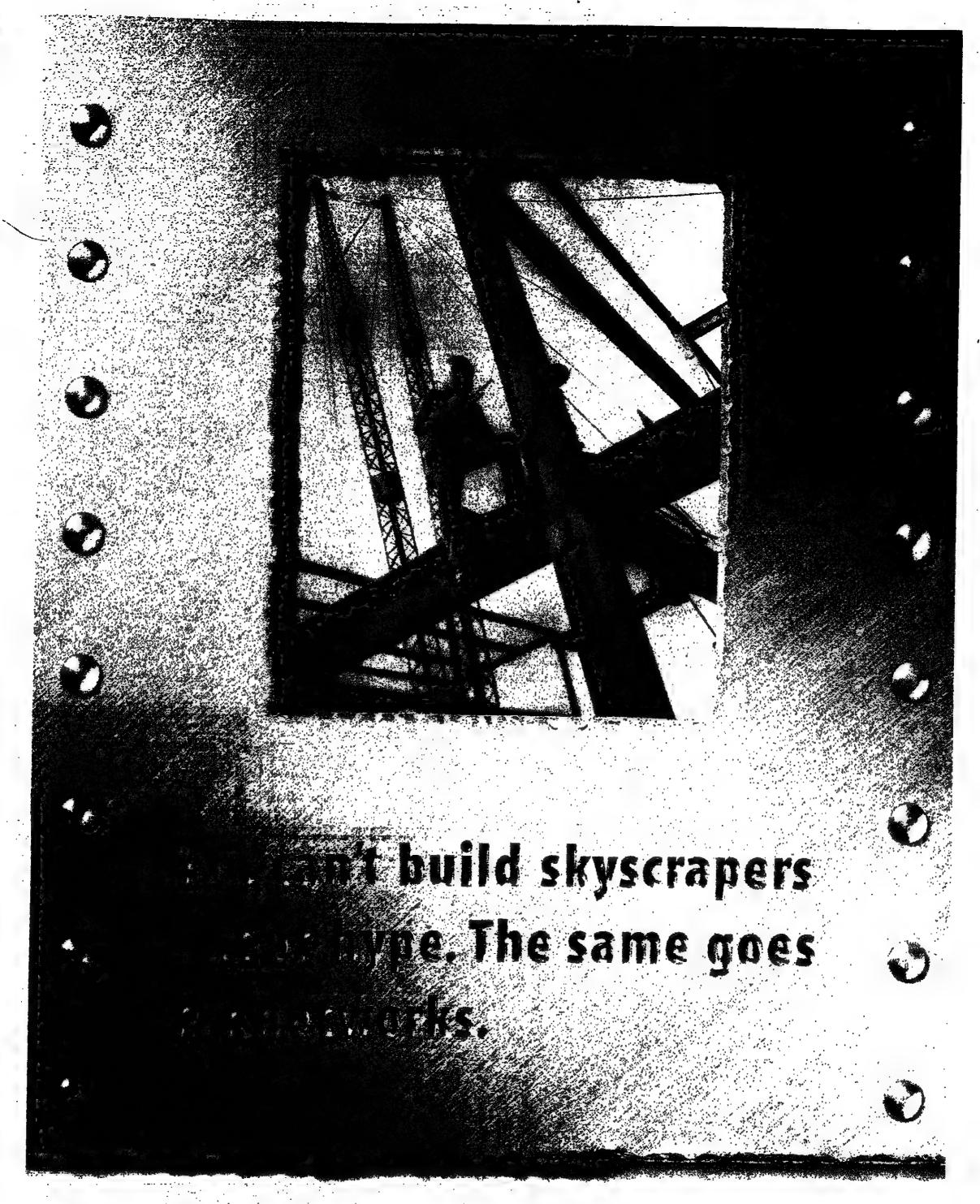
The Court considered the Gil-The European Court ruled first nationality of the state employ- from the contracting parties' lys' submission that the tax BRICK COURT CHAMBERS, competence to define the criteria credit mechanism penalised

ation to remain. It said the object of the convention was simply to prevent the same income from being taxed in each of two states. not to ensure the tax to which the taxpayer was subjected in one state was no higher than that which they would have been subjected to in the other. The treaty without also being a national of did not therefore preclude the application of a tax credit mechanism, such as that in issue. C-336/96: Gilly v Directeur des Ser-

vices Piscaux du Bas-Rhin, ECI







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1. Article 8 of Law 2330/1995 "Arrangements for the Restructuring of the Bank of Crete S.A."

Joint Decision of the Minister of National Economy and Finance, and the Governor of the Bank of Greece, No. 610/B.316/24.2.98(G.G. 1988/4.3.98)

we announce the sale, by international public tender, of the Benk of Crete ("Cretebank"), according to the following procedures, criteris and terms.

The object of sale is 97% of the total number of common voting shares and 100% of the non-voting preference shares of the Bank of Crete S.A., to be sold as a single block.

Cretabank was founded on 1.1.95 and has a network of 87 branches throughout Greece, connected by an On-Line-Real-Time system,, and 1,485 employees, of which 183 are Officers of the Sank (Area Directors, Managers and Assistant Managers of the branches and divisions). The Bank's Balance Street at 31.12.97 showed assets of GRD 408.8 billion, losins and advances of GRD 189.6 billion and deposits of GRD 341.7 billion. Cretabank's subsidiary companies are mainly active in the area of insurance,

For the intended sale there will be no reserve price. The offered price shall be paid in a single cash payment within one month of the finalisation of the auction, or in instalments over a maximum of four (4) years, with an initial down payment of no less than 30% of the final price. The down payment must be paid within one month of the finalisation of the auction.

Initial bids including all necessary documentation must be submitted at the latest by 14:00 hrs on Monday, June 29, 1998. The bids will be submitted by hand at the offices of the "Under Liquidation Old Bank of Crete (Law 2330/95)", 20 Voukourestiou Street, 3rd Floor, Athens 10671, Greece (Tel +901 3641240 Fax +901 3642162) between 09:00 and 14:00 fms, Monday to Friday, The seeled bids will be received, with receipt admowledged, only by Messra. Vasileios Stambolitis or Joannile Koldolos. Bids received by the authorised persons, in any other way later than 14:00 fms on June 29, 1998, including those dispatched on an earlier date, will not be considered.

The UK based investment bank CHARTERHOUSE BANK LIMITED and CCF FINELY S.A., a subsidiary of the French investment bank Credit Commercial de France S.A., have been appointed to

act as joint advisors to the vendors on the sale of Cretabank.

To obtain the full text of the announcement, and any further information, please contact:

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Julie Kerge Bank of Crete S.A. 22, Voukourestiou St. Athens 10671 Tel +30 1 364 4809 Fex +30 1 384 4832

This advertisement has been issued by the Liquidator of the Under Liquidation Old Bank of Crets (Law 2330/1995), who is the person responsible for the information contained in it. Charterhouse Bank Limited, which is regulated in the United Kingdom by the Securities and Futures Authority, has approved this advertisement for the purpose of Section 57 of the Financial Services Act 1986 for base in the United Kingdom.

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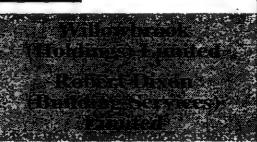


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At its meeting on 26 February, the County Council ratified a decision by its Social Services Committee to offer for sale as going concerns 24 residential homes for the elderly. The homes are simuted in east, mid and west Kent and currently provide a total of 910 bed spaces. In addition, 20 of the homes provide day services on sits.

The homes will be offered for sale in loss. While bids for single homes will be considered, preference will be given to those parties seeking to acquire homes in the specified lots.

Included in any transfer will be those residents in occupation at the time of completion, together with the benefit of their care contracts, the current level of day care provision, staff who will transfer under TUPS, fixed equipment, all fumiture and fittings and stock at the time of completion.

The County Council proposes transferring the homes through a two stage tendering process. At the first stage, interested parties will be invited to register their interest in the bornes. Suitably qualified applicants will then be shortlisted and invited to formally tender for the purchase of the homes.

> Interested parties are invited to apply to Christie & Co, Healthcare Division 50 Victoria Street, London SW1H 0NW. Tel 0171 227 0700 Fax 0171 227 0701 by Tuesday 23 June 1998

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THE ARTS

Mix and match of masters pays off

Antony Thorncroft reports on the big Impressionist and Contemporary art sales

is in fine shape. Last week in New York, Christie's and Sotheby's fielded all that the fates could throw at them and succeeded in selling important Impressionist, Modern and Contemporary art with profitable ease.

For Christie's, the challenge was to persuade collectors that its new date lines. under which Impressionists such as Monet and Renoir are relegated to the 19th century to sell alongside traditional masters like Courbet, while Picasso and Matisse are considered modern enough to be included in a 20th century sale with Warhol and Rothko, made artistic sense. It succeeded to the tune of \$61.3m, well up to its most optimistic expecta-

Sotheby's had to contend with a New York taxi drivers' strike on Wednesday for its traditional sale of Impressionist and Modern art, and the last episode of Seinfeld on Thursday when it sold Contemporary art. It took the precaution of broadcasting the cult TV show in its rooms, but in the event the audience was riveted enough by the paintings. Indeed, the \$17.3m paid for Andy Warhol's "Orange Marilyn" was

the event of the week. The flerce bidding by two prospective buyers for Warhol's silkscreen painting, which was expected to make around \$5m, reminded some observers of the climax of the 1980s art boom, when investment-crazy collectors forced prices to unsustainable heights, leading to the subsequent collapse.

At the moment the market supply, but without the spec-

William Packer

of Cornelia Parker

sary to support.

reviews the installations

Cornelis Parker has latterly

become one of the more consis-

tently conspicuous and successful

of our Young British Artists.

perched so precariously at the cut-

ting edge of creativity, whom the

Arts Council and significant Mod-

ern Collections think it so neces-

At 42, she is not so very young.

but her career burgeoned in the

late 1980s, coincidental with the

new wave of conceptualism; and

timing, we know, is everything.

Now, after her inclusion in Bien-

nales abroad and nomination for

the Turner Prize at home, her ele-

gant and seductive retrospective

at the Serpentine, of work of the

last 10 years or so, would seem to

She is conventionally described

as a sculptor, but in fact she

makes nothing herself. Indeed,

she goes to great lengths to avoid

making anything, as the titles to

her art-works so often make clear.

A show at Cardiff a year or two

ugo was called The Avoided

Object. She calls a whole class of

be the confirming compliment.

The international art market ulative frenzy. It is this buoyancy in the most profitable sector of the art trade which has encouraged François Pinault, the French billionaire and contemporary art collector, to make a bid yesterday for Christie's: a bid which the Christie's

board favours. One great difference this time round is that the new collectors are being advised by consultants, many of whom are former Sotheby's

The Warhol was a sensation at \$17.3m, but the anonymous buyer

got a bargain

and Christie's specialists who know the current value of the art and how the auction houses work. The other change is the serious attitude to art of the would-be buyers - the earlier speculative element is absent.

With demand so buoyant, both Sotheby's and Christies's rued the fact that there were no magnificent estates to sell this month. The one major collection of offer, nine paintings sent for sale by Margit and Rolf Weinberg, the Zurich retailers. sold for \$11.3m, with Courbet's portrait of Whistler's mistresa, Joanna Heffernan, making a record \$2.97m.

Christie's kept reserves low on Tuesday, which enabled it to find a buyer for a Modigliani portrait for \$4.8m when its pre-sale high estimate had been an ambitious \$8m. An earlier Modigliani in the auction had

ding, selling for \$5.39m. Christie's must be please that the innovation of plac-- Warhol, Rothko, and Diebenkorn - alongside the earlier masters like Brame and Picasso, paid off. The main reason for changing the date lines is to get conservative huyers interested in new sectors, which was confirmed when a collector of contemporary art bought a Cubist work by Braque for \$4.1m. The only record achieved in the auction was the \$1.81m paid for an abstract landscape by Diebenkorn.

Sotheby's brought in an encouraging \$77.9m on Wednesday night, with one Grand Canal in Venice making the top price of \$12.1m. At the peak of the market in 1990 the same painting had only managed \$9m. Its new owner is believed to be Paul Allen, the co-founder of Microsoft. He is advised by former Sotheby's specialist, David Nash. Some artists, however, are still below Repoir, of pretty girls bathing, sold last week for \$3.4m: in 1990 it had fetched \$6.2m. Both the Monet and the Renoir were off-loaded by Japanese owners: the auction houses are now pre-

pared to dispose of the best of the vast haul of paintings, valued at \$6bm, which have languished in Japanese bank vaults for the past decade, but few show a profit. One problem for the auction houses is that the finest works of art are disappearing into museums or inviolate collections. Hence their

interest in promoting contemporary art. Where there is a constant supply. In New York they hardly have to convince buyers that contemporary art, often Ameri-



can, is highly desirable. The tension at Sotheby's contemporary sale was more electric than at the earlier auctions, and totalled \$35.6m. way above Sotheby's \$25.5m top forecast.

The Warhol was a sensation, but auctioneer Tobias Meyer believes that the anonymous buyer got a bargain. "It is one of the great icons of 20th century art the Tate Gallery for

asso." Also in the auction was Lucian Freud's portrait of his daughter Bella enjoying a party in Notting Hill Gate with some friends in 1982. It sold for \$5.8m (£3.57m), easily a record for a work by Freud or for any living British artist. In 1983 its owner. Freud's former dealer James Kirkman, had offered it unsuccessfully to

The success of last week's auctions will convince both Sotheby's and Christie's that their ambitious plans for expansion in New York are well founded. The two auction houses are investing in extensive new buildings -Sotheby's on the top of its York Avenue premises; Christie's on a new site at the Rockefeller Centre.

And Sotheby's is already developing in new direc- the Weekend FT.

tions, principally through boosting its activities in private treaty sales on behalf of owners. Such transactions may lack the excitement of the auction, but are another step in Sotheby's and Christie's master plan to take over the art world.

mer Arts guide will be pub-lished on Saturday, May 23 in

A coin is a coin: 'Embryo Money', 1996, by Cornella Parker

be flattened by the passing train. lows a vaguely human outline, ly-stained cloth she used. She has a silver dollar drawn portentously tion of coins on strings, which into a wire equivalent in length to the beight of the Statue of Libshimmering with a sepulchral erty. She smashes a coffin into splinters, the only time she has It tells us of mortality, vanity, and ever used hammer and chisel. She has created a new work specifically for this show, "Room for Margins", from the unseen margins and linings of Turner's canthe originals in our mind's eve."

vases, "challenging us to conjure Such are her works of art. But the back of a canvas is still the back of a canvas, a wire a wire, a coffin-splinter a piece of wood, a coin is a coin. "This is what I

enjoy about my life as an artist" she says. "I can go to the Colt firearms factory and discuss with engineers shooting pearls and money from guns instead of bullets... somehow I'm allowed the privileged position to look around ... That's why I make art. It's a way of experiencing the world that I couldn't possibly have if I was sitting at home working in a studio..." There is really nothing more to say.

Cornella Parker: Serpentine Gallery Kensington Gardens, London W2, until June 14: sponsored by Credit Suisse First Boston

Spry, sly elegant

The London Sinfonietta recently celebrated the music of Hanns Eisler (1898-1962) ~ one-time pupil of Schoenberg, long-term collaborator with Brecht, extled by the Nazis, victimised by the House Committee on Un-American Activities and finally honoured (cautiously) in East Germany. In the sense of the old Chinese curse, he certainly "lived through inter esting times".

The Sinfoniette had the considerable assistance of chansonnier H.K. Gruber. At the afternoon session he and the composer David Blake reminisced about Eisler, while pianist John Consta ble, mezzo Mary King and three other singers offered a neat conspectus of early Eisler. We heard his bright, op. piano sonata from the Schoenberg days, and a pair of highly personal song-cycles composed after he broke

In the evening Gruber conducted the Sinfonietta. with his customary fervour, in later Eisler. The astrin ment Kleine Simfonde on, 29 combines Schoenberg technique with political marching-song and theatre-music. In songs, choruses and sceas from The Mother, adapted by Brecht from Maxim Gorky as bitter theatrical agitprop, Gruber erved also as *charaonnier* sbetted by Maria Freedman and Omar Ebraulan.

It was delightful to besi the NatWest Choir, along with the CYM Chamber Choir, delivering the calls to revolution with such fullthroated ardour. It was also delightful to hear Gruber more like his sly Viennes self in four long "couplets" that Eisler wrote for a Nestroy play in 1948; spry as well as sly, and rather elegantly turned.

Finally, we had a sort of Gruber premiere, at least for the UK: a newly extended version of his 1996 cycle Zeitstimmung - officially translated as "Timeshadow", which I suppose is a fair shot at an impossible target. The same could be said of the English translation, which labours under the burden of having to answer to Gruber's wild flights of Sprechstimme-plus in his original German set-

The poems are by the ironical Viennese poet H.C. Artmann, as in Gruber's earlier Frankenstein!!. but not mock-childish this time mock-fabulous, rather, and suggestive of dark morals. Gruber's orchestra again rocks with smoothy, hallucinatory dance-rhythms, vibes, saxes and marimba, but instead of toytown colours there are mock-orientalisms to mask the uncomit sounded gorgeous and mad, I thought the English version too much of an aggthetic effort, a distraction. The composer's "bizarreries" are really anchored in the original text, and go adrift in another tongue.

David Murray

INTERNATIONAL

Arts Guide

AMSTERDAM

Markelli zy for Sit Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Tosca: by Puccini, New production by Nikolaus Lehnhoff with a cast including Bryn Terlei. The conductor is Riccardo Chailly; May

BERLIN CONCERTS Philharmoni Tel: 49-30-2548 8354

 Bertin Philiparmonic Orchestra: conducted by Emmanuel Krivine in works by Beethoven and Tchalkovsky. With violin soloist Gil Shaham; May 19 Berlin Philharmonic Orchestra: conducted by Bernard Haitink in works by Bartók and Brahms. With soloist András Schiff, May 23, 24

BONN

EXHIBITIONS Kunst- und Ausstellungshalle der Bundesrepublik Deutschland Tel: 49-228-917 1200

re-present them. for example, "Cold Dark Matter", was an old garden shed which, with its contents, she persuaded

An artist in suspension

she does is to find odd things, bits—time of blackened beams salvaged—swaying gently in the draught and pieces, play around with from a burnt-out Texan church them, do things to them, and that had been struck by lightning. in 1995, in "The Maybe" at the The first important art-work of Serpentine, she had the actress, hers to be acquired by the Tate, Tilda Swinton, Beauty-like, asleep for days on end in a glass case. And this perhaps is the problem. it is all very striking, very drathe British Army to blow up. Hav- matic, rather beautiful - at least

her work "Altered States". What was a similar suspension, this they are seductive and intriguing.

'Cold Dark Matter' was an old garden shed which, with its contents, she persuaded the British Army to blow up, and then hung the shattered fragments from the Tate's ceiling

ments out of the surrounding fields and hedges, she hung them all, or at least as many as she could find, from the ceiling of the gallery, each by its own thread, with the whole dangling mass lit from the centre by a single bulb. It worked, I must admit, to dramatic, deeply-shadowed effect

Last year the single most popular work at the Tate's Turner Prize Exhibition was her "Mass (Colder Darker Matter)", which

www.kah-bonn.de

BRUSSELS

Tel: 32-2-229 1211

Il Ritorno d'Ulfisse: by

Monteverdi. New production

conducted by Philippe Pierlot in a

staging by William Kentridge. With

the Handspring Puppet Company,

L'Orfeo: by Monteverdi. New

production conducted by René

Aeschlimann; May 19, 20, 21,

Jacobs and directed and choreographed by Trisha Brown,

with designs by Roland

CHICAGO

Tel: 1-312-294-3000

www.chicagosymphony.org

in works by Brahms and

André Watts; May 19

and 4; May 22, 23

Chicago Symphony Orchestra;

conducted by Franz Welser-Möst

Shostakovich. With piano solciel

Chicago Symphony Orchestra: conducted by Daniel Barenboim in

Beethoven's Symphonies Nos. 3

CONCERTS

at the Lunatheater; May 19, 20, 22

OPERA

La Monnak

The Iberians: display of 350

objects made, between the sixth

little-known civilisation on the week

of the Mediterranean bowl. Some

of these objects have never before

and the first century BC, by a

been removed before from the

French museums; to Aug 23

sites of their excavation. Others

have been loaned by Spanish and

ing picked the shattered frag- at first. The effect is everything. This new Serpentine show includes other of what Lisa Corrin, the new curator at the gallery, calls her "classic suspended installations." "Thirty Pieces of Silver" (1989) consists of 1000 miscellaneous items of silver plate that were run over by a steamroller. Hung just off the floor in 30 circular sets, their only properly sculptural interest rests upon the flat, horizontal plane they estab-

Art Irretitute Of Chicago Tel: 1-312-443 3600

Whistler and the Art of

Songs on Stone: James McNei

Lithography. Around 200 works by

the American expetriate, including

drawings, etchings and paintings,

which demonstrate the importance

to Aug 30, then transferring to

Le Comte Ory: by Rossini. New

production conducted by Roberto

Abbado in a staging by Lorenzo

Orchestre de la Suisse Romande:

conducted by Edmon Colomer in

Works by Turina, Ravel and Fatta.

The Royal Opera: Die ägyptische

Helena, by Strauss, Concert

performance, conducted by

includes Deborah Voigt and

Christian Thielemann. Cast

With piano soloist Alicia de

of lithography to his art and theory;

www.artic.edu

FLORENCE

Tel: 39-55-211158

May 21, 23

GENEVA

CONCERC

Victoria Hall

Tel: 41-22-3170017

Larrocha; May 20

Royal Festival Hell

Tel: 44-171-960 4242

LONDON

CONCERT

the pointlessness of human greed. For me, it called something more natural and unaffected to mind lish within the space. As objects,

the shroud of ivy over the grave of Van Goeh and his brother. Parker has suits and dresses shot through with pearls and coins, which she hangs proudly up to show the holes. She polisher the inside of armour once worn by Henry VIII, and shows us the new-

LOS ANGELES

Tel: 1-213-365 3500

City of Birmingham Symphony

conducts a programme of works

by Rametu, Haydn and Beethoven

City of Birmingham Symphony Orchestra: Sir Simon Rattle

conducts works by Knussen and

Orchestra: Sir Simon Rattle

CONCERTS

Mahler, May 21

Teatro alla Scala

www.lascala.milano.it

Gustafson; May 19

Baverische Staatscoe Tel: 49-89-2185 1920

The Midsummer Marriage, by

conducts a production staged by

including Alison Hagley and Philip

Michael Tippett. Mark Eder

Richard Jones, with a cast

Langridge; May 22

NEW YORK

Tel: 1-212-721 6500

www.fincolncenter.org

CONCERTS

MUNICH

OPERA

Der Freischütz: by Weber.

Conducted by Donald Runnicles in

a staging by Pier'Alti, with a cast

including Kim Begley and Nancy

Tel: 39-2-38791

MILAN

OPERA

glinting in the sun. But for Par-

ker, the interest is principally nar-

rative and symbolic. The "former

life" of these objects, we are told,

was "symbolically crushed out",

leaving them as "both diagram

and blueprint: things as they

were; things as they are; things as

Another suspension, "Matter and what it mesns" (1989) consists

of innumerable 10 pence pieces

that had been laid on the line to

The pile of coins on the floor fol-

above which hover an accumula-

could be two featureless bodies.

beauty within the darkened room.

they can be."

Thomas Moser, May 22

 New York Philharmonic: conducted by James Conton in works by Rachmaninov and Liszt. With piano soloist Garrick Ohlsson: Avery Fisher Hall; May 19 New York Philhermonic: conducted by Kurt Masur in Shostakovich's Symphony No. 7, "Leningrad"; Avery Fisher Hall; May

EXHIBITIONS Guggenheim Museum Tel: 1-212-423 3500 www.guggenheim.org

Visions of Paris: Robert Delaunay's Series. Previously seen in Berlin, this exhibition focuses on the series caintings made by the artist in Paris, of subjects including Saint-Severin and the Eiffel Tower; Metropolitan Museum of Art

Tel: 1-212-879 5500 Augustin Pajou, Royal Sculptor: retrospective devoted to works by the French sculptor (1730-1809). who was a favourite of Louis XV and Louis XVL Includes marble statues, portrait busts, terracotta sketch-models, and drawings including designs for the opera at Versalles, to May 24

Nuseum of Modern Art Tel: 1-212-708 9480 www.moma.org Alvar Aalto: Between Humanism and Materialism. Centenary tribute to the Finnish architect, designer and town planner, Unprecedented in scale, the show includes sketches, drawings, models and photographs, many of them loaned

by private collections in Europe; ends today

OSAKA EXHIBITION

The Museum of Art, Kintetsu Tel: 81-6-624 1111 Aubrey Beardsley; more than 200 drawings, prints, posters and books created during the brief period of the artist's fame. The exhibition marks the centenary of his tracically early death, and Japan; to Jun 8

PARIS CONCERT

Théâtre des Champs Elysèes Tel: 33-1-49525050 Orchestre National de France: conducted by Vassili Sinaisky in works by Haydn, Saint-Saens and Beethoven. With cello soloist Han Na Chang; May 19

EXHIBITION Jeu de Paume

Tel: 33-1-4703 1250 In defiance of painting: "Je ne peins pas, je cloue mes tableaux". wrote Kurt Schwitters. This century has seen many artists forsake their brushes in favour of a variety of other implements, Burn, Fontana and Arman are some of the artists represented in this exhibition. which proposes to explore this dimension of painting; from today until Aug 30

ROTTERDAM EXHIBITION

Tei: 31-10-440 0300 Look at me: Fashion and Photography in Britain 1960 to the present. First stop for a touring exhibition which tracks the photography with its emphasis firmly on popular culture rather than haute couture; to Aug 9

SAN FRANCISCO CONCERTS

Davies Symphony Hall Tel: 1-415-864 6000 San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Mozart, Lukas Foss, Stravinsky and Berg; May 20, 22, 23

TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ

EUROPEAN CABLE AND SATELLITE BUSINESS TV CNN International Monday to Friday, GMT: 06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today 22.00; World Business Today

 Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the

The huge success of these

Asian exceptions and the

did, more than anything else, belp produce the shift

towards more open trade seen since the late 1970s. No

fewer than 60 countries

embarked on unilateral

Third, what are the

opportunities the system now enjoys? The short

answer is to complete the edifice. The elements of that

construction should include

Purther liberalisation, to

clothing, services and public

membership, particularly to

embrace China and Rossia.

disciplines, especially over

the mushroom-like growth of

Strengthening WTO

arrangements and over

reliance on economically

questionable anti-dumpi

Strengthening the WIO

as an institution, partly by increasing its budget from

its ridiculously low level of

This is by no means the

agenda would include trade

and the environment, trade

and labour standards (not,

official agenda), investment

and competition. But the

damaging to liberalisation.

while the third and fourth

unnecessary. The trading

a better instrument, be

loaded with tasks that are

not germane to its central

purpose. But this counts not

so much as an opportunity

system may well, for want of

first two are potentially

are, strictly speaking,

fortunately, yet on the

complete list. A broader

regional trading

\$78m (£47m).

cover tariffs, agricultural

commodities, textiles and

Widening WTO

round alone.

Obstalisation during the

seven years of the Uruguay

ever more obvious failure of

those seeking self-sufficiency



MARTIN WOLF

Wealth of nations

At 50, the Gatt and its successor the WTO have much to be proud of. The question now is how to build on their success

welfare of nations are indissolubly connected with friendliness. fairness, equality and the maxim practicable degree of freedom in international trade." Cordell Hull. US secretary of

For half a century two

institutions have been at the heart of the rapidly growing body of international trade. They are the General Agreement on Tariffs and Trade (Gatt) and, since January 1995, its successor. the World Trade Organisation, From an inauspicious start Gatt and the WTO have come to have world than any other International economic institution. The question confronting this week's 50th anniversary meeting in Geneva this week is how to sustain – and develop – that SUCCESS.

Success it has certainly had. Only 23 countries participated in the first round of negotiations, in 1947. Today, its successor, the WTO. has 132 members. with 31 waiting to join. Between 1950 and 1996, the volume of world exports rose 16 times, while output rose six times; even more incredibly, the volume of world exports of manufactures rose 31 times, while manufactured output rose ulos times.

The initial task was to reverse the damage to international economic integration done by the great depression and the second world war. That had been largely achieved by the 1970s. Since then, as the table shows, openness to trade bus reached unprecedented levels.

Yet past success must not breed complacency. The fallure of Bill Clinton, the

US president, to win fast-track negotiating authority from Congress, the popular - and populist rampaign against globalisation and the financial shock in east Asia

all threaten what has been. and can still be, achieved. If the system is to be defended and strengthened, it is necessary to understand what it is; why it has gained in influence; what opportunities it enjoys; and what dangers it must now confront.

First, on what principles is the system based? Perhaps the most common criticism is that it simply reflects outmoded economic theories True, economists have long argued in favour of liberal trade on a priori grounds. Contrary to widespread popular misunderstandings those theories, including comparative advantage. remain as valid as ever, as Douglas Irwin of Dartmouth College has argued cogently in a splendid history of the

idea of free trade.* In reality, however, the system has always been based on still wider considerations. The WTO rests on three pillars: negotiated liberalisation.

Colleges and recovery

Western Estrapi

Merchandine exports as per cent of SDP at 1990 prices

leading to bound levels of protection – that is a fixed margin of protection; the apread of the benefits of greater market access to all members, through non-discrimination; and. undersinning all these, the rule of law. As the quote from Hull shows, the hope was that mutually heneficial trade, protected by international agreem would promote prosperity and limit the capacity of

international conflict. Second, why has the system strengthened over the years? Perhans the most important reason is hard-won experience.

partial economic interests to

renerate ruinous

For the first three decades of the Gatt's existence, trade liberalisation was limited almost entirely to north America and western Europe. Meanwhile, most developing countries tried the combination of planning with autarky that the Soviet Union and its satellites took to a logical conclusion. The important exceptions were the export-promoting policies of Japan, South Korea and Taiwan and the purer free trade of Hong Kong and Singapore.

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So what, finally, are the chief dangers confronting particular stand out. The first is the need to

as a danger.

senarate the case for liberal trade from that for freeing capital flows. Although both are taken to be compone of globalisation, liberal trade ioes not entail freedom for capital flows. Many high-income countries liberalised trade while retaining exchange controls until the 1980s or 1990s. The collapse in east Asia has merely underlined the

dangers in premature and Ill-regulated capital account liberalisation.

Still more fundamental is political legitimacy, Markets may be global, but governments are local. The rules governing the former necessarily emerge from inter-governmental negotiations and are policed by international organisations. While inevitable, this also creates disjunction between what citizens demand and what

As the rules of the trading system have become more intrusive and binding. conflicts have increasingly arisen between the transistible force of domestic single-issue activism on the one hand and the immovable object of internationally agreed rules and procedures on the other.

their governments can

Knyimmentalists believe the rights of a Thailand or a Mexico are nothing compared to those of dolphins and turtles. Yet a global trading system cannol operate on that basis.

Can this danger be ameliorated by better explanation of the rules, by greater transparency in WTO procedures, by commissioning and ublicising research into links between trade and other concerns and, not least, by moving environmental and social

immes into other forums. Above all, people must be history and contemporary realities. No country can be an economic island and none, even the US, can dictate terms to all the others. The only choice is between a chaotic international market, without global co-operation. and a relatively orderly marketplace, with it. The right choice was made by

the Gett's founding fathers haif a century ago. It is our privilege and our opportunity to build on those foundations. *Against the Tide: An Intellectual History of Free

Trade, Douglas A. Irroin. (Princeton: Princeton University Press, 1996)

martin.wolf@ft.com

LETTERS TO THE EDITOR

Views on inflation and monetary policy in Europe too simplistic

the European Central Bank board is reported as seeing both astonishing and alarm-moving the economy into per centing ("ECB board sees infla-such a liquidity trap. If the " tion as big threat", May 9). Indeed, a number of arguments which the future decision makers on European monetary policy are advancing are simplistic and simply

not true. For one, the position that the risk of inflation exceeds the risk of deflation is in contradiction with the basic economic fact that monetary policy can play an important role in fighting inflation but convince financial markets not role in the case of defla- and to reassure the German

Since negative nominal interest rates are impossible (people would simply withdraw their money from

ther the cause nor the solution to Europe's unemployment problem conveniently ignores the fact that a record of poor growth in Europe coincided with a very restrictive stance of monetary policies from 1990 to the end of 1996. One can, of course. now putting on a show to public on the introduction of

banks and hold on to cash!), does return to its senses

deflation imposes the risk of when the business cycle

Furthermore, the phrase that monetary policy is nei-

the erro. For the sake of the European economy, however, let us hope that the group of six

Sir. Your article in which high real interest rates, threatens to push up infla-Being unable to fight della- tion in the euro area from a tion, a central bank should historical low of 1.2 per cent inflation as a big threat is therefore avoid at all cost to another historical low of 2

ued and the European Central Bank cut economic growth to keep inflation at, say 1.5 per cent, the economy of the euro zone would have exchanged the "boom and bust" scenario of the 1970s and 1980s for a seenario in which the economy in the 1990s recovers from one slump only to go argue that the group of six is straight to yet another slump.

> Ronald Janssen. economic adviser, research department. Christian Trade Union Westraat 121,

Market will determine future of Euribor

From Mr Clifford Dammers. see Lex repeating some of the (unfortunately) widely 15). The banks which will make up the reporting panel sional banks. More impor- culate euro Libor. tantly, the credit rating of the reporting banks will be Market Association is conirrelevant because the rates tent with Euribor and Libor

reporting bank sees prime Sir, I was disappointed to banks quoting to other prime banks in its market, market will determine They are not necessarily held perceptions about Euri- rates quoted to the reporting bor ("Libor/Euribor", May bank for deposits with it. This is the same basis on which the British Banking will be first-class profes- Association proposes to cal-

The international Primary which are to be reported will as successor price sources be the rates which each and expects there to be com-

petition between them. Ultimately the preference of the whether only one will survive but misinformed comment does not contribute to the quality of that competi-

Clifford Demmers secretary-general, international Primary Market Association (IPMA),

Policymakers and the power of the equity lobby

From Mr John Hardman. Sir, Gerard Baker con- current levels? Can it be 28), with the thought that "the real difficulty policy in the UK and the US is now paradigm. makers face [1s] not how to in the form of equities: engender a big correction (in the stock markets) but how to avoid it".

This raises several ques- ago: tions. Why should policy

equity holders accordingly form a lobby as powerful as were homeowners 20 years

letters.action@s.com Published letters are elec available on the FT web site, http://www.FT.com Translation may be systemic letters witten at the mein interjetional languages, Fex +44 171-873 8938. Letters should be typed and not hand written.

makers want to maintain of governments to encourage private pension schemes and cludes his article, "When done? They want to because that these investments fears are overdone" (April more than haif the wealth should be successful. This, owned by private individuals not "Goldflocks", is the new

attention. He is smart

enough to have realised his

real challenge is to win the

A similar logic seems at

work as Mr Lebed grones his

way towards an economic

agenda. The former general

has little feel for economics.

much less the workings of Russia's chaotic young

But, just as he insists he is

a democrat, Mr Lebed is

emphatic about one eco-

nomic issue. He is a virulent

Concept of communism and

the central planning it forced on Russia and a sup-

middle ground.

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PERSONAL VIEW DAVID SHEARER

day die World Economic, 1838-1922, by Jaques Magallace Japhilated by the CECS.

The world's private armies

The recent controversy in the UK concerning "mercenaries" has opened a debate on the need to control and regulate private military companies

ehind the recent controversy in Britain concerning the role of "merce naries" in Sierra Leone is the wider and more important issue of the privatisation of conflict and security. The plain fact is that military companies are playing an increasingly influential role in areas once the domain of sovereign states.

Some label these companies mercenaries. But the term has enflamed the ter understanding of the reasons behind their existence. Banning them is neither possible - nor necessarily wise. ful word. International law

has yet to come up with a definition of a mercenary that would withstand the rigours of a courtroom. Only 12 countries have signed the 1989 UN Convention on mercenaries. And even though UK legislation banning them. dates back to last century. there has not been a single conviction in more than a

The emergence of private military companies has outstripped both domestic and international policy to deal with them. The tendency is on the one hand to pretend they do not exist and on the other to recognise their importance and to seek covert dialogue. The result is a muddled worst of both worlds. No wonder the government is in the mire.

There is a need to engage

UK and other western governments. Its assistance to was in accordance with British foreign policy objectives. It supplied weapons and mil-

There is also little likeli- the main factor behind turn- gence officer notes that he hood these companies will ing its fortunes against the now works much as he did



Military solution: the private sector has stepped into the w

go away. Their growing role has coincided with the col-lapse of communism. Western governments have little strategic interest in intervening in other country's civil wars. The early optimism over UN peacekeeping has laded in the wake of the Somalia debacle which led to the embarrassing US withdrawal from that conflict. Neither is there much domestic appetite for a country's soldiers to fight in other people's wars.

Instead, the favoured western response is to impose sanctions. Unfortunately, sanctions seldom work.

With military force needed, but no government willing to provide it, the private sector has seized the opportunity and stepped into the vacuum. They are bolstered by military expertise with these companies. This available from the downis a first step to controlling sizing of western armies and and regulating them. an abundance of cheap ex-Sandline and other Soviet weaponry. They offer so-called military consul- one of the few alternatives tants may prove useful to for a besieged government

like that of Sierra Leone. Most important, they have Executive Outcomes, the South African company, has that had been ousted by a from the Unita, within a few military junta. The junta's months of its presence the favoured tactic of intimida- government reversed its suction was to amputate limbs cession of military defeats tary company fade in com- it was contracted by Sierra Leone's government and was special services and intelli-

Revolutionary United Front rebel group. That has allowed the first elections in 27 years and the signing of a peace agreement.

A larger group of companies conduct military training to recognised governments. The US company Military Professional Resources, headed by more than a dozen former US generals, is training both the Bosnian and Croatian armed forces. Others, such as BDM, linked with the Carlyle Group of James Baker, the former US secretary of state, have been training various parts of the Saudi Arabian forces. The US companies are more directly integrated into the US defence establishment and serve foreign

policy interests.

Beyond this militaryorientated category, the security industry broadens out into wider non-military protection functions, such as the passive protection of premises, mining installations and individuals. The British company DSL, for example, guards corporate Sierra Leone, for example, shown their effectiveness, and diplomatic premises throughout the world. Others have specialised in risk been a market leader. First analysis for companies wantitary expertise to an elected employed in Angola by a ing to invest in unstable government of Sierra Leone government under threat areas or provide protection from potential kidnapping. Most British companies keep close contacts with the Ministry of Defence. Many of with machetes. Moral con-cerns over the use of a mili-Lusaka accords. In May 1985. through the military or intelligence services. A former

before - merely on the other side of the public-private fence. A private company's intelligence can be a valuable supplement to official

But such companies, espe cially at the extreme military end of the spectrum, do not necessarily need a gov ernment's approval to carry out their activities. This absence of accountability has created disquiet. There are few checks on their adherence to human rights conventions, for instance Although they claim only to work for legitimate governments, deciding which is the 'legitimate" side in many civil conflicts is not always straightforward.

Engagement with these companies is therefore vital. Military companies see their future growth and prosperity depending in part on their perceived legitimacy. Some are willing to be regulated.

From their point of view, transparency of their operations and business relationships is a crucial first step. But that involves meeting with government officials and discussing the issues. Given the circumstances, the apparent decision by the Foreign Office to enter into discussions with Sandline was the most intelligent option. The only pity is that it does not publicly

Boris the Younger

Alexander Lebed's victory in Siberla has made him a formidable challenger to Yeltsin in the presidential elections in 2000, says Chrystia Freeland

od bless you Alexander Ivanovich. God has given you to Russia to save us sinners." Nowadays, it is almost unheard of for a politician in Russia to inspire the sort of sentiment contained in this outburst from Ekaterina, a 45-year-old

welder, in Krasnoyarsk. Alexander Lebed is an exception. Last weekend he won the governorship of Krasnoyarsk territory, a mineral-rich Siberian region more than four times the size of France, and Russians are now wondering whether his populist magic will be strong enough to propel him to the presidency in 2000.

His new job will not necessarily do it. Another former general who went into politica, Alexander Rutskoi (Boris Yeltsin's vice-president who took up arms against him in 1993), has also been a governor, of Kursk in southern Russia, for two years. His career has

Mr Lebed's chances look much, much better. In a country still polarised by the traumatic shift from communism to capitalism, he is almost the only politician to do what Boris Yeltsin managed in two presidential elec-tions: appeal across the political spectrum to nationalists at one extreme and liberal free marketeers at the other. His image as an outsider, untainted by corrupt Kremlin politics, is a powerful draw for the millions disposessed by the shift to a market system; but his aggres-

per cent more than his

Kremlin-backed rival, the

sitting governor. But as he

takes to the national - and

sive anti-communism means his constituency is not limited to the pensioners who still cling to their party cards. Mr Lebed won some liberal fans for his role in ending the war in Chechnya in 1996; yet his military background makes him the pin-up boy of the far right. Mr Lebed's protean persona was an asset in the him to pick up nearly 60 per cent of the vote, almost 20

The outhor is a research associpte at the International Institute for Stresegic Studies and author of Private Armies

acknowledge this.



ogy has been fertile ground end to a conflict that had for the nightmares Russia so claimed more than 50,000 easily breeds.

general's uniform and a dictator's iron fist lurk beneath the civilian suits and craggy

Since he first captured the nation's attention in 1992 as commander of Russian troops in Moldova (where he stopped a civil war in days) Mr Lebed has hinted at authoritarian sympathies. He famously praised

Augusto Pinochet, the Chil-

ean dictator, and at a nation-

alist conference once berated a delegate for "sounding more like a Jew than a Cossack" But in the campaign for Krasnoyarsk, Mr Lebed has portrayed himself differently. "Of course I consider myself a democrat," Mr Lebed rasped. "Only I think that democracy must be built, not just declared.

Already, I've helped to build

it - I've stopped two wars.

one of which Yeltsin, that

great father of Rossian

democracy, started.* The reference to the war in Chechnya is worth dwelling on. Appointed national Siberian campaign, helping security chief by President Boris Yeltzin in 1996, Mr Lebed was handed the poisoned chalice of the war in

lives. Mr Lebed is certainly The darkest of all is that a concerned about the state of the Russian armed forces. But this does not make him a militarist. On most military issues, he is a reformer. Of late, Mr Lebed has

taken equal pains to counter his racist reputation. Asked at a Siberian campaign rally how he planned to "cleanse" Krasnoyarsk of people from the Caucasus, Mr Lebed was outraged. "That is not the sort of question to ask me," he thundered. "We are all equal Russian citizens, including people from the

In a similar vein, Mr Lebed assured the electors of Krasnoyarsk that he would advocate a moderate foreign policy. "The world is afraid of us because we are thin and hungry and in the history of the world it is the thin and hungry who make war on the rich and fat," Mr Lebed told a gathering of business leaders. "My main foreign policy would be to make Russia rich and fat."

By the same rule that allowed Charles De Gaulle to give up Algeria and US President Richard Nixon make a historic overture to China, a battle-scarred general like Mr Lebed is one of the only Chechnya. Mr Lebed took a Russian politicians who can deep drink and came up with afford to preach pluralism a solution more radical than and tolerance. Mr Lebed international - scene, the Russia's most ardent liberals owns the nationalist vote - question is, what does the had dreamed a Russian mili-just looking at him is

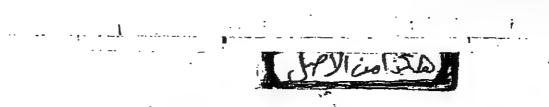
porter of private property. "The worst thing that has ever happened to Russia is that for 70 years the sense of private property was beaten out of our people." Mr Lebed complained on the bustings. Not that he is a fan of Russia's new economic order.

Much of his campaign focused on the economic failures of the Yeltsin years which, he says, has reduced people in Krasnoyarsk to eating cattle feed and their own dogs. The only solution Mr Lebed has is simplistic, but not stupid. Like the dismal scientists of the Interna-

tional Monetary Fund, Mr Lebed thinks the Russian economy needs liberalisation, particularly from bureaucracy: "The Russian economy is squeezed between two rocks - the lawless mafia and the greedy bureaucrats. in Moscow, it's a funny thing, the mafia turns out to be gentler than the state. The mafia takes just 10 per cent, the state takes everything."

Snappy slogans are not enough to run Russia. And apart from a messianic faith in his own destiny to rule Russia, the former paratrooper is short of long-held political views.

But that is hardly a decisive drawback. As he revs up for an attack on the Kremlin establishment from his Siberian fastness, Mr Lebed is coming to resemble another power-hungry, politically inchoate, charismatic outsider who overthrew the Russia elite nearly a decade ago. In some ways, Alexander Lebed looks like the young Boris Yeltsin - and former paratrooper stand tary pull-out, de facto soverfor? His indeterminate ideoleignty for Chechnya and an Russian chauvinist map to inue is very, very afraid. that is why the old tsar's ret-



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FINANCIAL TIMES

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Microsoft besieged

Could the antitrust suit against facturers and internet content Microsoft, launched yesterday by providers to favour its own the US Justice Department, be the start of a long and inconclusive war, such as that against international Business Machines through the 1970s?

Possibly. But although the department and 20 US states framed their charges against the software giant very broadly, they have wisely made their demand for remedies quite specific, at least for the time being. There was no suggestion (yet) that the authorities would press for anything as drastic as the bresk-up of AT&T, the telecommunications monopoly, 16 years ago.

But Bill Gates, Microsoft's abrasive chairman, should beware. Having rejected the remedies sought by the department over the weekend, he could yet find the nightmare of computer operating systems being designed

by teams of lawyers coming true. At one level, the charges levelled against the company appear extremely serious. Microsoft, it is said, has used its position as the supplier of operating systems for 90 per cent of personal computers to stifle competition, to harm consumers and to undercut innovation. It is charged, in particular, with using its dominance to gain acceptance for its internet browser and overwhelm competition from its main rival in the field, Netscape Communications.

Moreover, although opinion polls do not by any means cost Microsoft as a bogey man, the fact that so many states are joining in the action indicates that its political position is at the

Web browser

The main thrust of yesterday's suit reflects recent arguments about the company's decision to integrate its web browser with its latest operating system. Windows 98. It wants the company to unbundle the two or offer the drawn into a long campaign Netscape browser with its own products - and to enable computer manufacturers to redesign smarted competitors. This is a the appearance of the opening danger both for Mr Gates and the screen of Windows 85. The authorities. If they could both department also objects to the "give a little, they would achieve way Microsoft has structured its what remains the best outcome: a contracts with equipment manu- compromise.

No doubt there are some fair points in these accusations. Microsoft is well known as a very tough commercial operator, and it understandably wanted to defeat Netscape when it thought "browser wars" were threatening its dominance over operating systems. Whether it used illega means to further this aim

No obvious harm

However, it is worth bearing in mind that Microsoft's actions in the browser field do not appear to have done obvious harm to consumers. Microsoft's browser is free. So is Netscape's. PC users can have whichever they want. The argument then turns on whether Microsoft has designed Windows 95 in such a way as to make it excessively inconvenient for users to switch.

So long as consumers are satisfled, this need not matter very much. Since Microsoft has caught up in this field, it has been able to reduce Netscape's share of the browser market from about 90 per cent to 55 per cent. If Microsoft fell behind, it would be possible for a competitor with an obviously superior product once again to win market share. In any case software and the power of personal computers are developing so rapidly that few people can foresee what will provide a decisive competitive edge in five to 10 years' time.

The Justice Department seems wisely to to have recognised this and to have stepped back from intrusive prescriptions about software. Instead it is emphasising the possibility of abuse in the structure of Microsoft's contracts, a much more fruitful field for antitrust investigation.

Yet the authorities need to careful that they do not become against Microsoft merely because it is big, successful and has out-

Transatlantic relations

Yesterriay's announcement that US extraterritorial sanctions may extraterritorial action does not he on their way out is not just good news for oil and gas companies eager to do deals with Iran. It could also mark a productive new era in relations between the US and the EU. But there are serious obstacles to overcome before the rewards of the deal can be resped.

US extraterritorial legislation had become a serious irritant in

the transatlantic relationship. The deal announced yesterday lays out the principles for the end of extraterritoriality. But crucially, the deal has to survive domestic US reaction, which could be very hostile. Bill Clinton, the US president, has the authority to grant waivers under the Iran-Libya Sanctions Act, but needs Congressional approval to amend the Helms-Burton Act, which could be very difficult to get. Still, Mr Clinton, who is increasingly recognising the importance of the relationship between the US and the EU, especially with Emu on the way, has a big incentive to push the deal

An improved US-EU relationship could achieve a great deal. It could help to guard against any protectionist instincts arising from the Asian crisis. The EU and US could also usefully pre-pare the ground for a new round of trade talks; no WTO deals are possible without the support of both the US and EU, and co-ordination beforehand could speed eign policy. Foreign policy issues negotiations considerably. The tend to be thrashed out at the UN Transatlantic Economic Partner- or Nato rather than at EU level. ship initiative, also announced Such issues as Libyan terrorism yesterday, could be a useful or iranian nuclear weaponry are forum for this. Co-operation never properly discussed between should stop short, though, of the EU as a whole and the US agreeing significant bilateral leaving that relationship focused trade measures, as this could too narrowly on trade rather undermine the legitimacy of the than on strategic questions. This WTO processes in the eyes of the is not the only reason why the rest of the world.

International crises

And in foreign policy terms, international crises.

guarantee that transatlantic relations will be untroubled from now on. Significant difficulties in the relationship remain.

The key problem is Congress. It was Congressional pressure that pushed through the extraterritorial sanctions acts in the first place, and there remains a lot of support for the sanctions principle. Even if yesterday's deal goes through, Congress could cause problems in the future. Though the agreement with the EU commits the administration to opposing new laws requiring extraterritorial sanctions, Congress is likely to have a different view.

'Rogue' countries

The problem stems from marked difference on the issue of how to deal with so-called "rogue" countries. Whilst the instinctive US reaction (particularly on Capitol Hill) is for assertive action, including sanctions, the Europeans have often preferred a strategy of "constructive engagement". This difference will continue to cause frictions. To minimise these in future, the EU will have to show that its rejection of sanctions is based on principle, rather than on commercial considerations - something that so far it has failed to do.

A further in that in the transatlantic relationship arises from the lack of a co-ordinated EU for-EU needs better foreign policy coordination, but it is a far from

negligible one. Extraterritorial sanctions have soured the US-EU relationship for the value of a common US-EU too long, and must be removed as position cannot be underesti- soon as possible. To achieve this, mated. There have been too Mr Clinton will have to be as many occasions on which the adept in dealing with Congress as Lick of an agreed position has he has been in negotiating with weakened the west's response to the EU. This deal is too important to be allowed to fail.

Government vs Big Business

ings of an epic controversy. Democratic administration is declaring war on the second most valuable company in the US. You might have expected thunderous opposition to this vigorous intervention in the operation of the fast-growing market - especially from Republicans, traditionally friends of Big Business.

Yet there was barely a murmur of dissent yesterday against the justice department when it and 20 state regulators launched a block-busting antitrust suit against Microsoft, charging the company "anti-competitive and exclusionary practices". In place of wider political strife over the role of government regulation, the only partisan issue is whether you are pro-Microsoft or anti-Microsoft

This is the more surprising because of the immediate background. In the past few weeks the trustbusters, led by Joel Klein at the justice department, appear to have been launching a broadlybased attack on the consolidation that has swept through many of America's largest industries of late, arguing that such deals will benefit only the monopolistic interests of big business. In March, the justice depart-

ment stopped the merger of two defence companies, Lockheed Martin and Northrop Grumman. It has filed suit against Rupert Murdoch to stop him selling his satellite television business to a consortium of rivals, condemning the cable industry as "one of the most powerful and enduring monopolies in this country". Since September, the Federal Trade Commission has been investigating intel, the world's largest chipmaker and the other half of the "Wintel" duopoly. Last month the justice department's commodities division won its biggest ever fine (\$110m) against UCAR International, the largest US producer of graphite electrodes. Further trustbusting action is likely on several fronts - airline alliances, credit card companies, bank mergers and telephone takeovers.

It is true there are examples that point the other way. Last week the House of Representatives voted to repeal the Glass-Steagal and later laws that separate banking, broking and insurance. But overall, it seems as if the bureaucrais of the country of unfettered capitalism are turning against Big Business, or at least moving to limit its behaviour -

What lies behind this? It can hardly be popular opinion. Consumer surveys give mixed evidence on such complex lawsuits. The compny has released an opinion poll showing the majority supports the company against the government. There is certainly no public outery against big companies.

But if popular demand is not the answer, then what is? There are four possible explanations. The first is that antitrust activism appeals to what President Bill Clinton last month called an innate "suspicion of bigness". Commenting on the wave of alliances among large US airlines, he said: "Americans often feel that ordinary people do not have enough control over their lives anyway, so I think there is going to be this questioning atmosphere." in other words, after the reaction against Big Government comes the reaction against Big

In the wake of the Microsoft suit, Richard Wolffe studies the reasons for the wider upsurge in US antitrust activity.



Landstark antimied cases

Standard Oil, the creation of John D. Rocketater, is the authook example of antitrust action. The company bages life in Ohio in 1870 and was ruthlessly balli into an of-saming gum, with a market afters of more than 80 per cent by the tunk of the century. But it swiffly nor into trouble, being charged with using predatory pricing to crush its rivals, controlling pipeline distribution, and forcing rebates out of the railroads. In 1892 the Summers Court outsend Indiciplisher's enterer Supreme Court artisted Rockefeller's emper the Standard Off study to distantive. But that the not prevent Standard Off from prosperie our not prevent scanners ou room propering as a building company until 1911, when the court ordered its final break-up into 34 companies, and the directors to relinquish their control its successors - including Mobil,

of urging the Federal Communications Commission to take a tough stance on the proposed \$66bn merger between SBC Communications and Ameritech. The merger of the two Baby Bells, he said, was part of a trend toward and the politicians are doing Bell system". That was broken tion," he said. "Roosevelt said at Mr Dole are paid consultants to last landmark action in 1984.

> to think twice before repeating order to ensure the protection of the controversial decision to let the law for all." through a telecoms merger. Last It is this that seems to lie year, Mr Klein approved the behind the remarkable reversal \$23bn merger of Bell Atlantic and the deal would reduce telephone competition in the New York area. One senate aide made his concerns clear: "They [the politi- trust thinker of the Chicago cians) do not see antitrust measures from a partisan view at all. At this very partisan time on two decades before urging a law-Capitol Hill, this is almost suit against Microsoft last month. unique. There is an agreement that the laws are there to protect not only businesses but also the

The second possible explanathe internet to transform com-

problems date back to 1932 when it was accused of forcing users of punch card waches to buy its punch cards. Again, is 1952, 1984 was charged with restraint of competition, A 1956 settlement locaed the company to restrict its operations to ensure competition. But the trustbusters were back on the case in 1969 when 1964 was charged with pradatory pricing of

Miler 13 years of legal wrangling, the Anthon Department records that cause "without ment," in 1962. The effect of those actions, in particular the 1956 consen estee, was to break within BM a culture of warmens lowerd assistant vicinitions awyers became wwolved in business lecisions, creating bureaucracy and slowing the company's responses to charging market conditions. It is this effect that Microsoft fears most

Vacco, attorney-general of New York, likened the legal action to

Teddy Roosevelt's epic battle against Standard Oil. "Antitrust laws came in the midst of the industrial revolution. Today's action comes in the "something approaching the old midst of a technological revolucompany and the richest man, munications. The message represents a like the humblest private citizen, sharp warning to the authorities must be held to obey the law in

of some leading free marketeers Nynex, in spite of concerns that to the anti-Microsoft cause. The most influential of the recent conversions is Robert Bork, the former federal judge. As a antischool in the 1970s, he advocated minimalist government action for

"There seems to be a wide-

spread impression that the Microsoft controversy should be resolved by an ideological litmus test" he wrote in the New York tion for the upsurge of antitrust. Times. "Liberals are bent on pun-activism is that politicians of ishing success, and conservatives every stripe are suddenly begin- must defend Bill Gates's comning to understand the power of pany from any application of the antitrust laws. But the question mmerce - and they are afraid of is not one of politics or ideology; Last week, Mike DeWine, chairman of the senate antitrust subcommittee, took the unusual step

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After 107 years at the centre of US telecommunications. American Telephone ar Telegraph was the world's biggest business with 94m customers and almost 1m employees. In 1983 it agreed with the Justice Department to breek back up to form seven Department to break tases up to prim seven so-called Baby Bells. The Reagan administration argued that the break-up would enhance competition in long-distance services, and end the cross-subsidies of local services.

Since their, AT&T has truly based into a strong long-distance carrier and has suffere intense competition. The Baby Bells, which have maintained their local monopolies, are in the process of re-grouping into four companies through mergars. Three of the original saven selfs may soon be under one roof: the Texanbased SDC communications has bought Pacific Technological Communications has bought Pacific Telesis (in California) and tass bid \$86bn for Ohio-based Ameritads.

whose U-turn in policy was even more stark. In a 1995 speech to the senate, Mr Dole even castigated the justice department for pursuing Microsoft. Now he says Microsoft's alleged attempts to dominate the internet are "unfair to consumers". Both Mr Bork and up by antitrust officials in their the time that both the biggest Microsoft's rival, Netscape Com-

> The third explanation is that the antitrust authorities have simply become far more activist because they sense that trustbusting is palatable to politicians and the public in a prevailing atmosphere that supports freemarkets and is suspicious of both Big Government and Big Business. Hence, while the justice department always stresses that detailed analysis of individual markets and companies underpin its actions, officials also see a wider policy role.

For Mr Klein, antitrust policy is not merely a means of prosecuting illegal monopoly behaviour, such as predatory pricing or exclusionary contracts. It represents one of the US government's most important tooks for managing the economy.

"I think there is a general consensus on Capitol Hill that supports recent antitrust enforcement," said Mr Klein. "Antitrust is the preferred form of government intervention in markets. precisely because it aims to be -

We should stop companies using their market power to basically tip the playing field in their

In terms of antitrust history. today's justice department is hardly as politically motivated as the golden trustbusting era of Teddy Roosevelt. At the same time, legal experts acknowledge it is more interventionist than the Reagan administration, in the last comparable period of merger mania. Although AT&T was broken up (by a New York court) during the Reagan administration, the case had been launched years before. In general, the Reaganite principle was to keep government off the backs of business, and the relatively low number of cases brought in the late 1980s reflects that policy.

In spite of his high profile attack on Microsoft, Joel Klein argues his policies are not extreme. "I do not see myself as an aggressive antitrust enforcer. he said. "In the politics of antitrust enforcement I am in the middle of the spectrum." Instead of regulating industries, Mr Klein says he prefers "surgical inter-vention" in the marketplace.

The fourth explanation for the revival of autitrust action is that it comes from new ways of looking at markets. Karen Grimm, antitrust partner at Sutherland, Asbill and Brennan in Washington, says that trustbusters have more sophisticated computer modelling to assess the impact of mergers. This is especially important as the current wave of mergers presents new problems as companies seek to concentrate their share of specific markets.

"There is a resurgence of antitrust as well as a lot of big mergers," she says "But today's very large mergers of companies with very large market shares and oligopolies are very different from the mergers of the 1970s and 1980s, when they involved big conglomerates. If the agencies do not challenge some of these mergers they do not have a lot of

At least part of the new confidence among US trustbusters is drawn from an economic theory of "network effects". The gist of this is the claim that, in high technology sectors and communications in particular, a single monopoly can extend its dominance into new sectors.

This theory is controversial. Robert Levy, senior fellow of the free-market Cato Institute and a former chief executive of a small software company, says: "These theories do not hold water in the software industry. The whole Microsoft case should be scrapped lock, stock and barrel. This is not a capital intensive industry, it is ideas and the human intellect. Nobody has a monopoly on that, least of all Microsoft.

Meanwhile, the trustbusters have already moved further affeld. The justice department is concerned that its national jurisdiction cannot cope with crossborder monopolies and cartels. It already works closely with the European Union's competition

authorities. Janet Reno, the US attorneygeneral, has set up an international antitrust committee of business people and academics to square the circle. Within the next 18 months, the independent advisers are expected to draw up a blueprint for how US domestic antitrust action can fit into an international framework. If the trust-busters have their way, it seems, the antitrust policies of the US, might soon be influential

OBSERVER

Helmut at home in Bremen

No flashing lights, no specially composed anthem: Helmut Kohl was determined that yesterday's congress of his Christian Democratic Union should eschew the gimmicks used by Gerhard in Leipzig last month as the opposition Social Democratic Party's challenger for the chancellorship. But even Kohl's desire to

emphasise conservatism and continuity could not stop some razzmetazz creeping in. The 10-minute standing ovation was almost certainly a record, and there was more than a whilf of stage management about the chants of "Helmut, Helmut" and the giant benner saying "Do it again Helmut", Kohl probably deserved the

accolades. His two-hour speech one behandence liew and well-delivered. At 68, he looked fit and tanned and showed none of the signs of age and fatigue that metred his address to last Butumn's CDU conference. Perhaps it helped to be in

Bremen, which has become a symbol of his ability to come off the ropes fighting. At the 1989 CDU congress there, he saw off the only significant internal party revolt of his 16 years of power and went on to unity Garmeny the following year. ·

he can get. He enthused the faithful yesterday, but his poor opinion poll ratings suggest that he has yet to convince the German people that he is the man to lead them into the 21st century.

Call me modem

It was good to see US sitomey-general Janet Reno in command of her troops yesterday lining up for the battle with Microsoft. If only she was also in command of the technology on her own desk - apparently her office computer has got her beat.

In Miami, where she was state attorney-general in the early 1990s, she wasn't exactly queen of the keyboard, but was "fairly fluent" with her computer. But things got complicated when she arrived in Washington.

"It got so confusing as to what was on the computer or what wasn't, what was on the hard drive and what was on the soft drive, that it made it easier for me just to work with paper and pencil so ! could figure out what I had and didn't have," says the woman who s gunning for Bill Gates.

So torget that computer desistop it seems that a simple wooden one wili do.

Webbed feat

....Reno may not be a PC's best friend, but her justice department's website looks like it has had a makeover, maybe preparing for all Kohi needs all the good fortune the hits it's going to be taking from have been dragged kicking and

Microsoft's allies and enemies over screaming into the deal, probably the next few days.
The site (www.usdoj.gov) used to

be just as tedious as all the other US government sites: they tend to look as if bureaucrats and technofreaks are bringing out the worst in each other. Now there's a welcoming

nomepage with links to places like "lugitives and missing persons". which includes pictures and gory stories about the 10 most wanted criminals and the rewards for shopping them. There's a "what's new and hot" section (yesterday the "hot topics" page was a trifle tepid, as it hadn't been updated for 10 days) and a "justice for kids and youth" area with lots of cartoons and badges.

Internet surfers will appreciate the absence of those annoying buttons saying things like: "Best viewed with MS Internet Explorer. In the circumstances, that isn't really a surprise.

Virtual reality Urbane, patrician Maurice Lippens

co-chairman of Belgo-Dutch financial services group Fortis, is trying to smooth the feathers left. ruffled by the less-than-amicable merger talks with its new partner, Générale de Banque.

He has suggested the nepotiations were "like playing rugby. You get socked in the eye during the game, then you all go out and have a drink afterwards." The directors of Générale, who

don't feel much like sipping a bière

blanche with anvone. Yesterday Lippens was seeking inspiration in Magritte, the surrealist whose centenary falls this year, in an attempt to discourage suggestions that Genérale was actually being taken over by Fortis, he likened the deal to the famous Magritte paintings of a pipe, which bear the words: "Ceçi n'est pas

une pipe." "This is not a takeover," he isisted. "It is a merger." Like those pouring into the big Magritte exhibition in Brussels, students of the Fortis-Générale deal will be looking for the meaning behind the picture.

High note

Fancy penning a ditty? Mozambique has decided that it needs a national anthem that can be sung without imperilling economic development.

The current number has a decent tune, but the words are all about burying capitalism and explonation. It's not easy for ministers to sing along in front of the multinational executives they keep wheeling in to discuss a spot of Inward investment.

A competition has got under way to find a national anthem that gives a general blessing to virtues like national unity, independence, the heroism of the Mozambican people, work, equality and peace. Something, in short, to strike a chord with everyone.

Financial Times 100 years ago

Selling Socks To China A careful eye should be kept by British manufacturers on the opening up of the upper waters of the Yang-tze River, as American and European trade will doubtless play an important part in the developments there. Reference is made in a report on the trade between the United States and China by Her Majesty's representative at Washington to the development of the hosiery trade in this connection. Amongst the Chinamen who have had any intercourse with Europeans there has been of recent years a rapidly increasing tendency to adopt the woven sock of foreign

50 years ago

Losses By French Industry Paris, May 18. In reply to a written Parliamentary question, the Finance Minister, M. René Mayer, revealed how the principal nationalised industries have fared since they have been under State ownership. With the exception of the four nationalised deposit banks, losses have occurred in all cases, and, in some instances, even in spite of huge Government subsidies. In the coal mines the position is particularly unfavourable.



FINANCIAL TIMES

THE LITCHFIELD GROUP OF COMPANIES MANUFACTURING WORLDWIDE

concerns about transition. There is

of a power vacuum," a diplomat

said. "It is far from clear that the

procedures and personalities of suc-

cession would be acceptable to stu-

ened the focus on the military as the

most important power broker in

Indonesia. The general, viewed as a possible successor to Suharto, is

Suharto's son-in-law, General Pra-

bown Subjanto, who met the presi-

is now my biggest fear," said an

elieved to face a challenge from Mr

"Factionalism among the military

General Wiranto's statement tight-

dents and political opponents."

no clear successor, and a real danger

TUESDAY MAY 19 1998

THE LEX COLUMN

Rouble roulette

Russia has ridden out bouts of market fitters in the past and will probably do so again. But there are still ways in which the current mini-crisis could descend into a full-blown one. Indonesia's agony is an uncomfortable backdrop; with investors fleeing to quality, the spotlight has again lems. The government is finding it hard to collect taxes from its people, as yesterday's figures rammed home.

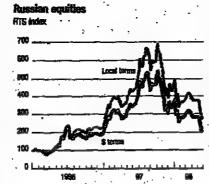
plummeting stock market than in the fact that yields on short-term government debt are now above 45 per cent. With inflation below 10 per cent, real interest rates are punishingly high. This could potentially lead to a vicious cycle in which debt-servicing costs rise so high that the new government's apparently sincere efforts to rein in its budget deficit are defeated. Eventually, investors could refuse to buy government paper, leaving the authorities no choice other than to allow the money ampply to rip.

Before that occurred, pain would be felt in the foreign exchange market. Unlike Asia's tigers, Russia does not have a foreign currency debt problem, but it has a foreign debt one. If outside investors decided to liquidate their large holding of government bonds, the government's foreign exchange reserves would be quickly exhausted. That would force a devaluation of the rouble, undermining the government's entire stabilisation policy.

Suez Lyonnaise des Eaux

The fall in Suez Lyonnaisa des Eaux's share price yesterday is a useful reminder that, no matter how fine the strategy sounds, the price needs to be right too. No one is going to argue with Suez Lyonnaise's mission to refocus on utilities. The preency with which the management is reshaping the portfolio had definitely earned the stock its 20 per cent-plus outperformance of the French market since October. But only the most stubbornly nationalistic Belgian shareholder is likely to shun the 21 per cent premium - to Friday's expectant close - that Suez Lyonnaise is offering for the minority of Société Générale de Belglone.

The immediate quibble is that Suez Lyonnaise's earnings will not go up as much as was hoped from the simple act of



consolidating more profits from its main prize, the energy group Tractebel. But it would be churlish to grumble too much about this. Tractebel is crucial to Sues Lyonnaise's international expansion plans. More important is how wisely it invests in this core activity from here on,

and likewise in the water business. These ambitions help explain why the SGB offer is all in shares; some powder is being kept dry. But as Suez Lyonnaise can also fund expansion by disposals, scope remains to tighten up the balance sheet once French rules on buybacks are liberalised. It should be bold and scoop back in the bulk of the shares it is issuing.

It has not taken long for the rapture to fade. When Travelers and Citicorp announced a merger, enthusiastic inves-tors marked up their combined market value by \$30bn to \$166bn. Six weeks later. barely \$7bn of that increase is left almost all of it in the share price of Citicorp, which produced some good quarterly figures in the intervening period. Yet the stock market has been flat and the deal has faced no unexpected regulatory or other upsets.

Clearly the market whipped itself into a frenzy on the first day, mesmerised by the boldness and sheer size of the new Citigroup. That excitement has rightly given way to worries about how to merge and manage such a complicated financial

Is the market now getting it right? The

earnings by the end of 1999. Admittedly, most of that will come from cross-selling benefits, which are less certain than cost savings. Even so, putting the \$1hn on a multiple of only seven looks harsh. While knitting the two together on the consumer side will take time and natience. gains from handing Citicorp's corporate client list to Salomon Smith Barney's investment bankers should come quite quickly. And so far, the senior management appointments have gone smoothly. with no loss of talent from either side. Having been over-enthusiastic initially, it now looks as if investors are being too

Withholding tax

Some European Union governments are good at frightening their citizens into declaring and paying tax on Europeanheld savings. Some are not so good, and want to crack down on the tax-dodgers once and for all. The big idea is contained in a European Commission draft directive. The snappy document suggests that EU countries do one of two things: they either impose a withholding tax at source, or they pass on the relevant information to

other member states.

Not only is this an inefficient way of dealing with the problem but it could also hit the issuance of European bonds, damaging the European capital markets' com-

First, the proposals do not fully tackle the problem. Banking secrecy laws mean a number of EU countries would not be able to swap information on bank accounts and interest payments. And a withholding tax would simply push investors to keep their savings in non-EU countries, such as Switzerland.

But it is the damage this move could have on the euroboud market in the EU that should send the drafters of this directive back to the drawing-board. Under the proposal, issuers of European bonds will surely end up bearing some of the admin-istrative cost of implementing the withholding tax. In an international market, such as that for eurobonds, issuers and investors will simply move to more efficient markets, such as the US. The EU ampers with the free flow of capital at its

Indonesian parliament's speaker tells Suharto to go

President Suharto's 32-year grip on power in Indonesia suffered a severe blow yesterday when a parliamen-tary leader demanded he resign.

speaker of parliament and an ally of Mr Suharto, prompted expectations of an imminent departure by the Indonesian leader after weeks of pro-

However, General Wiranto, Indonesia's top military officer, dismissed the parliamentary demand, raising the threat of confrontation between the armed forces and civilians. "Based on the country's constitution, the statement has no legal basis," the general said.

He said the demand represented only the views of individuals.

In spite of his comments, there is a growing belief that Mr Suharto will soon be forced from power in the wake of riots which left more than 500 dead in Jakarta last week. The unrest has been fuelled by

demands for political reforms and anger over a deepening economic onstrated at the parliament and delivered a petition urging Mr Amien Rais, a Mosiem leader, said

millions would protest tomorrow. the anniversary of the nationalist The surprise call by Harmoko, the movement. "Suharto must go: the sooner the better," he said.

The impression of a leader under siege was underlined last night when tanks and armoured personnel carriers arrived outside Mr Suharto's house to reinforce the presidential guards. However, Mostojib, Indonesia's intelligence chief, said Mr Suharto remained "calm" and would explain political developments today. This would break a public silence maintained since he returned early from an official trip last week. While some viewed Mr Harmoko's statement as a sign the succession process was under way, diplomats

"Even if this really is the start of the succession, it might take time, and Suharto may impose conditions," said one diplomat. "He has never looked like going easily." Bankers and diplomats said they

and bankers were cautious.

Fears of more unrest prompted a sharp fall in Jakarta's markets

lead to a shooting match."

dent until late last night.

yesterday. The rupiah fell more than 10 per cent to below 12,000 to the US dollar, while the stock market lost almost 3 per cent before rebounding . after Mr Harmoko's statement. Com panies linked to the Subarto family were hardest hit

crisis. Students regumed protests believed Mr Subarto's departure was Call to delay debt talks, Page 8

G8 leaders' silence helps send yen to lowest level since 1991

By Affican Text In Tokyo and Richard Adams in London

The Japanese yen yesterday fell to its lowest level against the US dollar since 1991, weighed down by upheav-

als in Indonesia and lack of support from the Group of Eight summit. When markets opened, traders jostled to sell the currency - spurred by the absence of references to the yen in the G8 communique and con-

firmation by US officials that US and Japanese leaders did not mention the exchange rate at the meeting. Further bad news about the credit crunch, caused by the banks' efforts to improve their balance sheets, intensified the pressure on the yea,

which fell by more than 1 per cent. During Tokyo trading hours, the yen fell from Y183.95 to Y135.4 against the dollar, and continued falling when the London and New York markets opened. By the end of tracing hours in London, the yea 1991. Paul Chertkow, chief currency

Mitsubishi in London, said the yen's since the end of 1995. And the yield weakness was "a consequence of a on the 10-year benchmark govern policy mix that does not appear to be working".

Ryutero Heshimoto, prime minis-ter, said Japan was not slipping into a deflationary spiral, but admitted. the economy was deteriorating. His management of the economy prompted three leading opposition parties to agree to submit a motion of no confidence in parliament. If the motion were to be passed, Mr Hashimoto would be forced to step down

or call a snap election. Harubiko Kuroda, a senior finance ministry official, warned Japan "was prepared to take appropriate measures" to defend the yen. But traders reported that the Bank did not intervene in the market, and London ana-

The currency has also been weak- and this is why we have 50 per cent ened by speculation the Bank of yields today on the domestic marwas worth Y196.11, its weakest rate Japan might cut interest rates at its ket," he said.

against the dollar since September 2, meeting today. But several members feer a cut would further weaken the

strategiet at the Bank of Tokyo- yen, Rates have been at 0.5 per cent ment bond yesterday fell to a record low of 1.265 per cent.

gradient in the r

Osamu Watanabe, a trade minister, blamed the yen's weakness on Indonesian currency has become untradable, according to emerging markets brokers in London. With no reliable offers, market traders talked of the rupish being priced at about Rp12,500 to the dollar.

The impact of the crisis fell most heavily on Russia. The country's central bank was forced to put out a statement affirming its support for the Russian banking system.

The rouble came under speculative attack, but Oleg Vyugin, Russia's deputy finance minister, ruled out lysts dismissed the statement as devaluation. "We are going to prevent attacks against exchange rate

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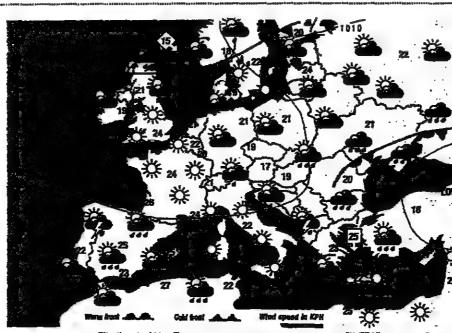
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FT WEATHER GUIDE

Europe today Northern Scandanavia will be cold More southern parts will be mostly fine. The eastern Alos and eastern Iberian Peninsula wili have spells 0 storms will develop inland. The central Mediterranean, France, the Low Countries, Germany and the

Five-day forecast Cold air over northern Scandinavia will push southwards, reaching the Germany by Friday, bringing a few showers. North-west Europe will stay fine but temperatures will drop later. Spain and Portugal will remain hot but thundery. The Alps will become wet by Friday.

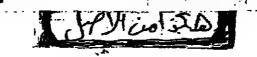
western Alps will be fine with lots



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FINANCIAL TIMES

NIES & MARKETS

TUESDAY MAY 19 1998

Portugal

INSIDE

GEC-Alsthom puts hopes in Eurotrain GEC-Alsthorn, the Anglo-French transport and engineering company that is due to be floated, is facing a shortage of orders for the TGV, its high-speed train. That partly explains the importance attached to this month's successful demonstration in Germany of the so-called Eurotrain system, which may be bought by Taiwan. Page 22

Proton faces test on tariff removal The Asian economic crisis has dented demand for Malaysia's national Proton car, despite recent sales promotions. But analysts say Proton must undertake extensive restructuring to prepare for 2003, when it faces a stiffer challenge - the removal of tariffs on foreign cars. Page 26

Karachi awaits bomb decision

rakistan Karachi SE indut

Pakistan's stock market continued to fall on wor ries over the economic outlook if a decision to go ahead with a nuclear test brought US-backed sanctions. Share prices have fallen more than 11 per cent since last Monday's nuclear tests by India brought heightened tension across

south Asia. Many analysts say the concern is that foreign investors will pull out at the first sign of US sanctions. Page 44

Argentina mining prospects blighted With big projects scheduled and a strong explora-tion effort, mining in Argentina seemed set for . apid development this year. But lower metal orices, rows over royalties and the after-effects of the Bre-X scandal have slowed exploration and alsed questions over some projects. Page 34

Endesa launches public offer

Endesa, the Spanish power group, has launched the registration period for its record-breaking Pta1,164bn (\$7.7bn) privatisation. The sale, at current market prices, is double the size of an offering of Endesa shares last October, which set a benchmark for Spain's capital markets. Page 32

Milan falls as stocks go ex-dividend Early weekness on Wall Street and continuing tensions in Asia contributed to a week stock market performance in Milan. The Index was also affected after 80 stocks went ex-dividend. Page 44

Pressure mounts for Opec cuts

Pressure is growing on the Organisation of Petro-leum Exporting Countries to make fresh crude oil production outs when oil ministers meet in Vienna on June 24. But some analysts argue that such a move may be unnecessary. Page 36

World index expands

From today our table on the FT/S&P World Index, an important benchmark for international nvestors, has been expanded to include Europ regional indices covering the new Euro

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THE PANABOLAL TIMES LIMITED 1998



Moscow stock market falls by 11.8% Trading suspended as fears of rouble devaluation prompt heavy selling

By Carlotta Sell in Moscow Worries about Russia's

financial position and fears of a rouble devaluation forced a fourth day of heavy selling on the Moscow stock market yesierday. The benchmark RTS share index closed at 227.61, down 11.8 per cent and trading was suspended for 20 minutes in the middle of the day during sharp plunge.

Russia's stock market fell by almost 15 per cent last week, with investors appearing to abandon the high-risk market for safer havens after the recent problems of other

emerging markets such as Indonesia, Mexico and Hong Kong. Russian stocks have fallen by more than 50 per cent gince October.

confidence also stems from the poor state of Russia's public finances. Tax collection is not improving and low world ofl nues have taken an additional

have blocked trains on the Trans-Siberian railway for sev-

payment of \$800m in wage

The central bank, which raised its Lombard rate - the Brokers say lack of investor rate at which it lends to commercial banks - from 30 per cent to 40 per cent for 15-day to 30-day money on Friday, said it was confident it had done enough. It was also calm about fears of a rouble devaluation.

But brokers said the last few days have increased the risk of devaluation. Nervous investors drove yields on state treasury

eral days to press demands for bonds up above 45 per cent to calm the markets." yesterday. There are fears that high interest rates will drain investment from the economy

> enough reserves to back the "Investors were waiting for some signal from the central bank that it recognises what is happening," said Par Mellstrom, the head of research at Brunswick Warburg, a Moscow brokerage firm. "But [the

statement) was not enough

and the stock market and that

the central bank will not have

Mr Mellstrom said that yesterday's sharp fall in share prices may have been due to local factors. "It was a bit of over panic," he said. "It was mostly Russian investors selling small orders but it is symptomatic of the lack of confi-

dence generally." Stocks in leading oil company Lukoil fell to \$12.45 from \$13.95 on Friday, while the electricity utility company Unified Energy Systems dropped to 21.90 cents from

25.11 on Friday. "Russia has clearly suffered more than Stephen Sullivan, the joint head of research at United Financial Group, a Moscowbased investment bank, last

"In addition to general emerging market worries, Russiz is hurt by domestic concerns such as rising interest rates and the cap on foreign share ownership in Unified Energy Systems, one of Rus-

Pinault in \$1.2bn deal to take over Christie's

By Iterid Blackwell in Loador and Angrew Jack is Park

François Pinault, one of France's most charismatic businessmen, yesterday launched a full takeover bid for Christie's International Ion than a fortnight after buying a 29 per cent stake.

His bid, through his holding ompany Artemis, values Christie's at £721m (\$1.2bn), and was backed by the board of the famous auctioneer. which was founded in 1786.

Mr Pinault, the son of a Breton forester, sims to add Christie's to a list of trophy assets that includes Chateau-Latour, the celebrated Bordeaux wine label, and Vail, the exclusive Colorado aki resort.

In private, he is a prodigious collector of contemporary American art and a man who rarely gives interviews or explains his business decisions. His involvement in Christie's raises questions as to how he will be able to keep his head down in such a highprofile business.

Howaver, he is seen as a long-term investor, with a hands-off management style. Artemia went out of its way to stress its "long-term commitment and support for the management in implementing the long-term strategic development of the business

Christie's shareholders have been offered 396p z share, and will be entitled to the 4p final dividend. The offer price confirms speculation that Mr Pinault paid 400p a share for his initial stake, bought for an undisclosed price from Joseph Lewis, the Bahamas-based billionaire. The company has been listed on the London Stock Exchange since 1973.

"It is a pretty full price, and I would not expect any great opposition to it," said Guy Bell, analyst with brokers Bee-son Gregory, adding that he would be surprised if any other bidder were to emerge. The French group, which owns property and financial

service businesses, has made its move just as the closed world of the French auction business is poised to be opened up to the big international houses in compliance with EU competition law.

Comment, Page 27



Palladium hits record high as industry warns of shortage

By Kanneth Geodina. Milwing Correspondent

The price of palladium, a metal vital in making mobile phones, laptop computers and anti-poliution vehicle catalysts, jumped to record levels yesterday, overtaking the price of platinum for the first time.

Short-term worries about supplies from Russia, the biggest producer, pushed palla-dium up to \$417 a troy ounce at its London afternoon "fixing", up nearly 7 per cent from Friday's \$393. Platinum was "fixed" at \$405 an ounce, up \$2. At the beginning of 1997 paladium was \$120.

Palladium is used in capacitors which control power supply in many electronic products and is also used as a catalyst to help reduce pollutant emissions in cars. It is closely related to platinum, but palladium has applications in electronics which platinum

cannot folfill. Fast-growing demand for mednets which rely heavily on palladium will leave the world severely short of the metal early next century, Johnson Matthey, the world's biggest platinum and palladium marketing organisation, warned resterday.

metals division.

The current price surge has been triggered by the failure of Russia, which accounted for two-thirds of global palladium supply in 1997, to export any of the metal this year because of bureaucratic delays in the issue of export licences. Analysts expect a re-run of last year when Russia did not export any palladium or plati-

num in the first six months. However, Mr Titcombe was warning about medium-term difficulties which "will make the events of the last 18 months look relatively serene". He referred to a big gap between palladium supply and demand that has built up

able to sell from its stocks. JM, in its latest market survey yesterday, said demand for palladium soared by 21 per cent last year to an unprecedented 7.46m ounces. Supply

2002 while Russia is unable to increase output.

in the past five years and been filled only because Russia was

was only 7.25m ounces Russia contributed 4.5m ounces to palladium supplies in 1997 compared with its estimated production of 2m ounces, Since 1994, Russia has taken about 10m ounces from its palladium stocks, according to JM's estimates. These stocks are likely to run out by

The supply "crisis" could arrive in relatively few years, said Graham Titcombe, man-

aging director of JM's precious Jeremy Coombes, JM's general manager, marketing, said: 'Russia should tell the world what stocks it has, so consumers know how much time they

have left." The automotive industry could substitute platinum for palladium in some catalysis, while the electronics industry could use nickel as an alterna tive, he said.

Mr Titcombe implored vehicle makers to increase efforts to switch to platinum. South Africa has vast reserves which could be brought into production.

Commodities, Page 34

Seagram outlines funding plans for PolyGram offer

By Alice Rewithorn in London and William Laws in New York

Seagram is considering proposals to float its Tropicana fruit juice business and to sell its 11m shares in Time Warner, the US media group, to finance its planned \$10bnpius acquisition of PolyGram, the Dutch music and film com-

Edgar Bronfman Jr. chief executive, yesterday won board approval to submit an outline cash and shares offer for the 75 per cent of Poly-Gram owned by Philips, the Dutch electronics concern.

Philips' supervisory board will consider the offer at a neeting in Amsterdam today. Seagram, advised by Morgan Stanley, also hopes to acquire the 25 per cent of PolyGram's shares in public issue, but has not yet decided how to structure that transaction.

The Canadian drinks and entertainment group hopes to acquire PolyGram for \$10bn. but Mr Bronfman is believed value of his bid to \$10.5bn if

necessary. Mr Bronfman is understood to be confident of financing a \$10.5bn deal without making

disposals. However, Seagram is seri-ously considering staging an initial public offering for Tropicana, which mustered a 14 per cent increase in profits before tax and interest to \$235m in 1997 on sales up 4 per

cent to \$2.1bn. Seagram is also considering the sale of its 11m Time

roughly \$900m on the New York stock market yesterday. The Canadian group bought 57m Time Warner shares in a series of transactions during the mid-1990s, but has sold them at intervals since acquiring MCA, the entertainment group, in 1995.

Last week, two US investment consortia threatened to mount counter-bids for Poly-Gram. One consortium, composed of Forstmann Little and Thomas H. Lee, the leveraged buy-out funds, and advised by Michael Ovitz, the former Hollywood talent agent, was last night trying to decide whether to bid. The second, led by Donaldson Lufkin & Jenrette, the banking group, has with-

Seagram hopes to stave off the threat of other counterbids by submitting its outline offer to Philips today

Mr Bronfman has not yet decided how to restructure its entertainment interests if the PolyGram bid comes off. He held several meetings in New Lévy, PolyGram's French-born president, thereby fuelling internal speculation that the latter may be offered a senior position at Seagram.

Mr Bronfman hopes to add PolyGram's record labels which include U2, Bob Marley. Sheryl Crow, Pulp and Hanson among their acts - to Universal Music, one of the old MCA businesses. PolyGram's film company, the largest in Europe, would be folded into Universal Studios.

Warner shares, valued at For the love of music, Page 24

Fortis and Suez Lyonnaise launch Belgian takeover bids

By Neil Buckley in Brusseis

21,22

23

Two takeover bids totalling almost \$16bn were launched in Belgium yesterday, presaging both a big new European financial services group and one of the biggest corporate upheavals in the country's 168-

year history.
Fortis, the Belgo-Dutch insurance and banking group, made a BFr409bn (\$10.8bn), seven-for-three share offer for Générale de Banque, Belgium's biggest bank.

Simultaneously, France's Suez Lyonnaise des Eaux unveiled a one-for-one share offer worth BFr178bn for the 36.5 per cent it does not already own of Societé Générale de Belgique, Belgium's biggest holding company. SGB has stakes in both Fortis and Générale de Banque.

their targets, are the two big-

gest in Belgian corporate his-

tory in value terms. They are

examples of the restructuring

of Europe's financial sector

before the arrival of the single

currency and of the gradual

rosion of national boundaries in corporate Europe. Belgium will see SGB, its

oldest and most prestigious company whose interests once accounted for almost a third of gross domestic product, fall entirely into French hands. Générale de Banque, which SGB spun off in the 1930s, will be absorbed into a larger, binational group.

The probable disappearance of both companies from the Brussels bourse, combined with other corporate restructuring, will rewrite the Bel-20 index of leading shares. For France's Suez-Lyon-

naise, the deals mark the biggest simplification of its Belgian interests since it stepped in as "white knight" to defeat a takeover bid by Italy's Carlo De Benedetti in 1988, and ended up with two-thirds of The bids, both agreed with

They are another step in its

strategy of focusing on utility

businesses, and will

strengthen its role as a self-

47 per cent. in return for seeing two well-known names absorbed into other groups, Belgium will get the Grande Banque Belge it has coveted.

located in Belgium from 34 to

The enlarged Fortis will have assets of almost Ecu300bn and be one of Europe's top 15 financial services groups - including banks and insurance businesses - by market capitalisation. It will rank just behind Germany's Munich Re, Aegon of the Netherlands, France's Axa-UAP and Italy's Generali, and

ahead of NatWest of the UK,

Swiss Re, and ABN Amro of

the Netherlands. Fortis will restructure itself, bringing its own banking assets under the umbrella of Générale de Banque. The banking business, accounting for two-thirds of profits and 80 per cent of assets, will be based in Belgium, with the insurance businesses run from the Netherlands.

professed Franco-Belgian group, increasing the proportion of total group assets



1911: the lost city of the ancient Incas is discovered.

1997: a ground-breaking new source of capital is discovered.

High yield debt has crossed the Atlantic and, with the help of Goldman Sachs, companies in Europe and the UY, are reaping the benefits of the Euro-denominated market. From syndicated fending to mezzanine financing to high yield debt, for leveraged finance, turn to Goldman Sachs And unearth a wealth of new financing opportunities.



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Suez Lyonnaise in Belgian shake-up

By Neil Buckley in Brussels and Andrew Jack in Party

yesterday, France's Suez took the biggest rationalisa-tion of its Belgian assets in 10 years, left itself more firmly focused on utilities and turned itself into more of a "Franco-Belgian" group

Its bid for full control of Société Générale de Bel- chairman in 1995. gique, and the merger of two of SGB's main assets. Générale de Banque and Fortis. pal direct stakes in Belgium.

Fortis is to reshape its

elaborate organisational

structure as a result of the

Fortis units are to put their

separately held assets and

liabilities into the group,

with each becoming only a

The changes will also

increase the influence of

sbareholders at Fortis'

Générale deal.

20 per cent in an enlarged Fortis - one of Europe's 15 With two historic deals higgest financial services

The other is a 50.3 per cent stake in Tractebel, the fastgrowing energy utility set to become one of Suer's core The moves are the latest

steps in the rapid restructuring undertaken by Gérard In two years, he has

purged Suez of loss-making from diversified holding al direct stakes in Belgium. company into a utilities. More worrying for the One is a 24.5 per cent business based around government is the possible

better corporate governance

Fortis plans to use Génér-

ale as the foundation for all

activities wurldwide will be

aggregated to form the build-

ing blocks of a single Fortis

insurance group," the com-pany added. That side would

be run mainly from Utrecht.

Dutch arm, in line with a limits to the process, the government push towards group said: "Fortis' principal

management and communi-

Taking full control of SGB of which Suez has had 63.5 per cent since it defeated a rival bid by Carlo De Beuedetti, the Italian businesslogical next step. Given political sensitivities in Belgium, it is also the most deli-

Belgian control of a 175-yearold company whose foundstion precedes that of the assets, and transformed it state itself is a blow to

banking entities have estab-

lished ... insurance subsid-

iaries ... [which] will con-

timue to be part of the bank through which they distrib-

Fortis added that for both

wides of the business, values

of strong existing brands

would be preserved. These

include ASLK-CGER in Bel-

gium and VSB Bank north of

ute their services."

Fortis to restructure after Générale merger

stake, soon to be reduced to energy, water, waste impact on Tractebel, one of take advantage of liberalisathe country's most importion of the European Union's market response was sharp create largestant array

> content simply to be able to consolidate 50.3 per cent of Tractebel's profits, instead of 32 per cent now - an important step towards folfilling its pledge to double earnings per share by 2002.

But analysts predict clashes over the desire of own fate, and particularly to merge with Electrabel, the electricity monopoly in which Tractebel already per cent premium to the

Operational integration.

due to start next January,

will involve no compulsory

on outlays are not promised

in the first three years. However, by 2002 these should

lift pre-tax profits by

Ecu300m (\$331m) a year,

mostly from efficiency gains.

ing straight away," said

Hans Phijgers, of Kempen &

Co in Amsterdam, But he

"It is not earnings enhanc-

Suez-Lyonnaise may be it would also, barring other changes, dilute Sues Lyonnaise's stake in Tractebel to about 30 per cent - which the French parent has made

> Another question is Suez Lyonnaise des Baux are paying too much.

share offer for Generale values the bank's shares, ex-

could work quite well - it is

needed for market power."

A single-tier board will

run the group, as well as

Portis AG and Fortis Amey.

respectively its Belgian and

Dutch holding companies.

"Effectively it is one board

with three different hats,"

Fortis Amey is opting out

is conferring full voting

said Mr Phillips.

an acquisition they really until now investors could

of a regime requiring a sepa-rate supervisory board and ing the interim payment at

electricity and gas markets. falls in Fortis' shares in Brussels and Amsterdam. Suez Lyonnaise is offering one of its shares for every

ter at a 21 per cent premium to Friday's closing price plus a possible additional whether both Fortis and payment linked to Suez's share price in the first quar

One Paris analyst called the price "generous". Reacdividend, at BF124,726 - a 15 regarding Tractebel may owns 30 per cent.

A merger would create a the past 10 working days — political capital in Belgium, super-utility well-placed to and the bank itself at as well as assets. bought the French group

hold only as depository

The economic rights of an

AG share have been set at

4.5 times those of one in

equalisation ratio allowing

for current differences in

price and net asset value.

Rach will be entitled only to

Zurich-BAT merger faces \$1.4bn costs

Christopher Adams in London

services giant created by the planned merger of Zurich Group, Switzerland's biggest insurer, with the insurance and asset management arm of BAT Industries, will incur \$1.4bn from integrating the

The costs of the \$52bn merger, announced last October, were disclosed in listing particulars published panied by an increase in projected savings from \$250m to \$400m, to be realised over 3 years. Integration in the UK is

likely to result in 1,600 job s, most of which will fall in the general insurance operations of Eagle Star.

The new group, to be called Zurich Financial Services, will have \$34bn in gross annual premiums and \$375bn.

Rolf Huppi, chief executive signate, sald it would be a "global powerhouse" combining Zurich's focus on providing global solutions with the "tremendous distribution. and production capacity" in BAT's financial services

ZFS will also include some of the best known retail shareholders who will finance brands in the US: receive shares in Allied Chicago-based Kemper Zurich. Group and the New York fund manager Scudder, Stevens & Clark, both owned by

They will join Farmers Insurance, the third largest personal lines general insurer in the US, and Allied Dunbar, Eagle Star and Threadneedle Asset Management, all based in the UK. Some \$700m-\$800m of the

used to raise non-life insurexceptional charges of up to ance reserves of the new group. British American Tobacco, which will continue as a cigarette manufacturer, will receive a cash payment of £700m (\$1.14bn). BAT also revealed it would yesterday. They were accom- take a charge of \$200m to pay for its share in the tobacco industry's settlement with the US state of

> Staff reductions at Eagle Star, regarded by analysts as, one of the worst performers among the UK composite insurers, would provide most of the projected savings.

Zurich may seek an acqui-sition in continental Europe to bolster distribution of assets under management of retail investment products. It could also buy to expand its share of the UK life assurance market from 2 per cent to 10 per cent.

ZFS, with headquarters in Zurich, will be 57 per cent controlled by Zurich's current shareholders who will receive shares in Zurich Allied and 43 per cent con-trolled by BAT Industries'

Zurich's investors will vote on the merger on June 11 and BAT shareholders on

Lucent

GEC Alsthom puts its hopes aboard the Eurotrain

The Belgian and Dutch its banking and investment ortis units are to put their operations. "All insurance

Shortage of TGV orders is forcing group to look at new markets, writes David Owen

nside a hangar-like assem-bly hall in the trendy sea-The 1 km-long Aytré plan side resort of La Rochelle in western France, men in blue overalls are at work on tion of all the TGV coaches metallic grey irain à grande vitesse coach bodyshells.

The finished coaches transport unit's main Euroshould soon be plying the pean manufacturing faciliroute from Seoul to Pusan in TGV trainsets, some of motives. which will be built in Rorea.

The TGV is probably the Alsthom - soon to be known French transport and engineering company which is mouth.

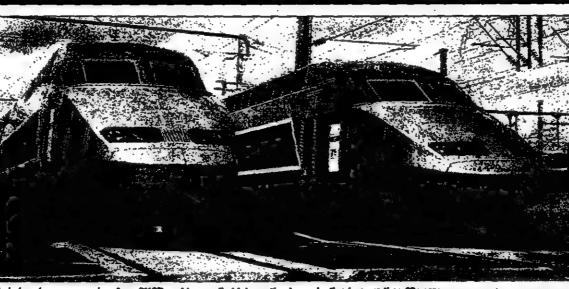
The group is likely to be ture between Alcatel Alsthom of France and the UK's respectively. General Electric Company. The flotation will involve up ager of the Aytre plant, says Taiwan.

The 1 km-long Ayire plant where the men are working has produced a high propor built. With 1,200 employees, it is one of the GEC Alsthorn ties. Others include Barce-

The first trainset, shipped a dwindling part of the overfrom La Rochelle, arrived at all activity of the transport its Asian destination in division, which accounted for more than one-quarter of the company's Eculi.1bn best-known product of GEC (\$12hn) sales in the year to Alsthom - soon to be known end-March 1998 and a similar as Alstom - the Angle- proportion of its Ecua99m

By the group's reckoning. expected to be floated next this puts it second in the world rail transport league with 14 per cent of the marvalued at about £4bn (\$6.5bn) ket, just behind Adtranz in one of Europe's largest with 15 per cent and ahead public share offers this year. of Siemens, Bombardier and It is currently a joint ven- Ansaldo with 11 per cent, 5

Thierry Smagghe, man-



However, the TGV is now not received from SNCP, the nearly 350km away. state-owned French rail may face its first interruption in TGV coach production in more than 20 years. This could occur after the French part of the TGV operating income. Korea project is completed

orders in part explains the importance attached to this month's successful demonstration in Germany per cent and 4 per cent of the so-called Eurotrain

he shortage of TGV

high-speed train. The con- in eastern France, which year the factory will make at "best applicant" for the pro- regions and even subway these relatively far-flung indeed, if new orders are Taipei with Kaoshuing,

> The \$20bn project has been operator, or abroad within 18 described as the world's largmonths, Mr Smagghe est transport infrastructure acknowledges that Ayiré project currently under development, and According to Mr Smagehe, rolling stock would account for just under 10 per cent of the overall price tag. Denis Godefroy, strategy and industrial resources manager at Aytre, says that if the company wins the contract, "it would be twice the capacity of this

factory for two years". While it waits for the green light from Taipei, the of the so-called Eurotrain company has worked hard to port unit now has plants as high-speed train system, secure orders for other products. This is reflected by and North America. Accord-

South Korea as part of one long in Spain, Valenciannes that in peak years "one TGV The company, in partners tory, including trains for pany's west European plants of the biggest export orders in northern France, Salzgit coach was being sent out of ship with Siemens of Ger-Saint-Etienne, diesel multi- are being used as "pilot to enable some of the plant every day". This many, has been selected as pile units for the French after to enable some of

Transport was one of the main contributors to a 41 per from the US.

The company is trying to build on this success by customising its Xter regional express diesel multiple units for the North American market. Mr Smagghe says it is also looking at a cheaper version for Asia.

In keeping with chairman Plerre Bilger's desire to "develop further as a truly global company", the transother work at the Aytré fac- ing to Mr Smagghe, the com-

site technologies

The relatively low volume cent year-on-year increase in of production for each dis-GEC Alsthom's orders to a tinct rolling stock model record Ecult.6bn, thanks in means it is necessarily what part to a strong performance the French call an "artisanal" process, compared by Mr Godefroy to the manufac ture of helicopters or buses. There are no robots or conveyor belts at Ayiré.

The plant is making size able efficiency strides never theless. Today, workshop teams make complete subassemblies for carriages, rather than, as before, performing single tasks such as welding, painting and cabling. Batch sizes and stocks are much smaller and productivity has improved

NEWS DIGEST

FRANCE

GE Capital ruled out of bid for GAN insurance

GE Capital of the US has failed to qualify in its bid to acquire GAN, the state-owned insurance group, the French govern-ment indicated yesterday. The decision means just four contenders remain in the competition for GAN: AIG, Eureko, Groupama and Swiss Life.

had falled to submit the full contents of its offer by the deadline at 6pm last Friday. However, the company said yesterday its offer had been made at the start of the evening and it was a "shame" it had not been accepted.

it is also in discussions about making a bid to take control of Crédit Foncier de France, the specialist property lender.

EQUITIES

Metzier sets up Dutch team

B. Metzler, the privately owned German bank, has hired 20 equities specialists from BZW and Credit Suisse First Boston to set up an Amsterdam-based operation in Dutch equities. It plans to set up similar "local broker" operations in other continental European markets such as France, Italy and Scandinavia, to fill the gap caused by the shift from national equities business to sector-based activities by big international

Describing the formation of Metzler Netherlands BV as the first step in this strategy, the Frankfurt-based bank said the timing of the next moves would depend largely on the availability of other local equity specialists. Its aim is to serve international institutional investors. Andrew Fisher, Prenidurt

INDUSTRIALS

Barlow advances only 1%

Week domestic demand caused Barlow, the South African industrial group, to report an increase in operating profit of only 1 per cent to R500.1m (\$88.4m) for the half-year to March despite a good performance from its international sub-Turnover from continuing operations rose 8 per cent to

elmost R10bn, dragged down by sluggish spending on fixed investment in South Africa. Analysis said the results were in line with expectations.

Earnings per share, excluding exceptional items and profit on the sale of shares, in Persetel Q Data, declined 7 per cent to 136.8 cents: Including these items, attributable profit rose 40 per cent to R461.2m.

Most of Barlow's international businesses did well and accounted for 53 per cent of operating profit compared with 42 per cent for the same period last year.

The capital equipment division, propelled by strong economic growth in Spain and Portugal, made the biggest contri-bution to earnings, notching up a rise of 23 per cent. Warren Clewlow, chairman, said: "We have ensured Bartow has the resources to move quickly, should international growth opportunities srise." Grets Steyn, Johannesburg

CEMENT

Cimpor sale raises Es131bn

Portugal raised Ex131.4bn (\$720m) yesterday from a global offering of 25 per cent of Cimpor, the country's biggest cement producer. The offering attracted huge demand from

More than 500,000 orders were placed by retail investors for almost 2bn shares. This was almost 150 times the number on offer, even after the institutional tranche was reduced from 7m to 5.7m shares to increese the retail offering from 12.1m to 13.4m-shares.

The global co-ordinators, Banco Português de Investimento and Morgan Stanley, are almost certain to exercise an option to increase the institutional offering by a further 1.9m shares. The offering was priced at Es6,500 a share, a discount of 2 per cent on Friday's closing price. Most small investors also benefit from a discount on the offer price.

Nord LB and Morgan Standay-to-day running of the ley, which are arranging the Mr Schröder bought the division, then called Preus-Lower Saxony and Nord- company despite retaining a sale, said the shares would deutsche Landesbank large stake. He said there together paid DML060n for would be "no political inflube sold to give an even split sag Stahl, to protect the would be "no political influ- between German investors

By Graham Bourley in Frankfurt

The German state of Lower Saxony will retain a stake of about 25 per cent in Salzzit- DM881m (\$483m). ter, Germany's second biggest steel producer, which it lier this year from Preussag. the industrial conglomerate.

announced yesterday they would sell up to 60 per cent which would raise up to

Gerhard Schröder, prime minister of Lower Saxony controversially bought ear- and Social Democrat contender for chancellor in national elections in Septem-Lower Saxony and Nord-deutsche Landesbank, the January when he moved to

NOTICE TO THE ROLDERS OF

US\$200.000.000

Windbond Electronic Corporation

(Incorporated with limited liability in Talwan, Republic of China)

2 per cent Convertible Bonds Due 2003 (the "Bonds") CUSIP No. 972657 AAS CINS No. Y95873 AAG

NOTICE IS HEREBY GIVEN to the holders of the outstand

ing Boads of Winboad Electronic Corporation (the "Company"), in accordance with the Terms and Conditions of the Boads, that the boadholders' right thereunder to convert any bond into the

Company's shares shall be suspended and shall not be exercisable during he following period (the "Suspension Period"):

The period from the close of business on January 22, 1998 up to and including May 26, 1998.

The next Consolidation Date is bereby determined as June 7, 1998. In order to be included in the aforementioned Consolidation Date, holders wishing to convert their bonds must submit their notice

of conversion and the bonds no later than the close of business on

June 5, 1998, at the office of the Conversion Agent.

In addition, the Company will distribute a 25% stock dividend to its shareholders and 31,997,000 shares of stock booms to its

employees on May 26, 1998 (the record date). In accordance with the provisions of the Indenture constituting the Bonds, the Conversion Price will be adjusted from NTS23.46 per share to NTS18.52 per

stane effectively May 26, 1998.

Bondholders should consult with the Terms and Conditions of the Bonds contained in the Offering Circular duted March 6, 1996 for specific provisions concerning the conversion rights attaching to the Bonds.

WINDSOND ELECTRONICS CORPORATION

By: Citibank, N.A. as Trustee

bank, buy the Preussay steel divi- offering is less than a suc. Lower Saxony would dis-lay they sion to stop it falling into cess could be damaging for tance itself from the

region's economic interests. The move attracted criticame ahead of regional elections which Mr Schröder

the business. The new share offering values the company cism, particularly because it at between DM1.2bn and being offered for sale at a

eventually won.

gitter chief executive, will be offered in a "greenAny sign that the share insisted yesterday that shoe", or overallotment,

ence on the company". About 34.3m shares are investors.

price between DM20 and Hans-Joachim Selenz, Salz- DM23. A further 3.2m shares

and foreign institutional

The new shares are to be listed on the Frankfurt and Hanover stock exchanges Trading will begin on

Clariant seeks to |BCH sets up US build warchest

Lower Saxony to hold 25% of Salzgitter after sale

Clariant, the fast-growing Swiss speciality chemicals company, is seeking shareholder permission to raise about SFrl.5bn (\$675m) of additional equity to help it no intention of diversifying finance further strategic away from specialty chemi-acquisitions, following last cals. Rolf Schweizer, chairyear's SFr4.6bu purchase of the specialty chemicals division of Germany's Hoechst. Clariant, which issued

pay for the Hoechst acquisition, plans to create SFr40m of new authorised capital. It results show a 20 per cent

raise close to SFrL5bn in new equity. It would also enable Clariant to raise extra debt so that it could finance an acquisition of between SFr3bn and SFr4bn. The company said it had

man, also indicated that Clariant's recent sale of its superabsorber business to Germany's BASF was the 3.27m new shares partly to first of a series of divest-Clariant's pro-forms it had acquired for an undis-

has no immediate plans to rise in divisional sales to issue the shares, but says it SFr9.9bn in 1997 and a jump wants to ensure that suffi- in net income from SFr118m cient funds are available at to SFr422m. Earnings per short notice should it want share rose 75 per cent to to make other acquisitions. SFr58.05, and the group Roland Lösser, chief finan-plans to raise its dividend by cial officer, told Clariant's 40 per cent to SFr14. annual results press confer- Hoechst retains a 45 per ence last Friday that the cent stake in Clariant.

broking operation

larger Spanish rivals Banco Bilbao Vizcaya and Banco Santander, by developing a operated by its local banking private banking strategy to networks. service high net-worth clients out of New York.

set up a stockbroking unit, Central Hispano Securities, as the first firm of its kind by a Spanish bank to trade on Wall Street. It added that a 67 per cent stake in Banco closed sum Westphere Capital Advisers, an asset man- Bolivia. Strongly positioned agement group that has in Chile, where it controls funds of some \$331m under the O'Higgins Central His-

The investments will develop an agreement last large stake in Banco de Galiyear between BCH and the cia, an Argentine bank. Rothschild Group, the bank- through a joint venture with ing and investment concern, the Luksic group, its Chilean to offer a broad range of off- partner.

shore financial instruments and investment opportuni-Banco Central Hispano has ties to clients in Latin Amerstolen a march on the Latin ica. The Spanish bank has American franchises of its an established a deposit gathering base through some 1,500 branches in the area

BCH said it aimed to be

managing Latin American BCH said yesterday it had funds totalling Pta750bn (\$5bn) by 2000, up from a present level of Pta150bn. The bank is currently negotiating the purchase of de Santa Cruz, the leading financial institution in nano bank. BCH is also considering the purchase of a



CITIBANCO

Dated: May 19, 1998

customers

By Christopher Parkes In Los Angeles

marketing strategy based on Paramount Studios a promise.

By guaranteeing popular \$3.8bn will be deployed to cassettes will be available - pay down group debts, with a free rental if they are already reduced last year by not - it is drawing the customers back. Fulfilled pledges have also worked er's ill-fitting music retailing the same restorative magic on Viacom, its parent. Although down \$1/2 on integrated companies that

profit-taking yesterday morning, shares in Sumper Redstone's entertainment group lingered close to their 52-week peak at \$57% following Sunday's announcement of a \$4.6bn cash deal to sell ts non-consumer publishing interests to Pearson, publisher of the Financial

As with Blockbuster, where new tactics came in response to pressure from consumers, the publishing auction followed pressure from investors frustrated at the unexploited values they saw locked up in Mr Red-However profitable educa-

tional, professional and ref-erence books might be, they argued, they had no role or Blockbuster Video is synergies to offer an enter-enjoying a reversal of fortunes in the US, thanks to a known for MTV, Rugrous and Net proceeds of about

> 20 per cent to about \$8bn. With the sale of Blockbust arm in prospect, the group is adopting the form of the

> dominate entertainment

media

While its corporate stretegy has soothed investors, consumers have also responded quickly to Viacom's new profile in the marketplace. The success of Titanic, produced in partner-ship with 20th Century Fox gave 1997 a strong send-off. With first-quarter losses down from 11 cents to 4

cents a share, Mr Redstone predicted an "outstanding" year for Viacom. Longer term, now that most of the misfits are being moved out, momentum will depend on the management of the



of books show promise.

Ploys such as expanding to be on the mend. Under the first three months of the the Rugrats franchise from a new management since last current year, and was climsmall-screen kids' cartoon. June, by the final quarter of bing at a rate that suggested into an animated feature last year it was able to Mr Redstone might soon film and a successful series report its first increase in have another valuable asset rentals since mid-1996. Busi- to sell, should the need or Blockbuster, too, appears ness improved 10 per cent in the occasion arise.

SPC, Lucent in Mexican wireless deal

ruled out t

an nath W

SPC, the Mexican telecommunications company recently created by media and retailing magnate Ricardo Salinas Pliego, has signed a letter of intent with Lucent Technologies, of the US, to set up a national tele-

hone wireless network. part of SPC's strategy to pro- services. vide wireless telephony to poor Mexican households auction for part of the

local telephone monopoly. TV Agteca, Mr Salinas Pliego's television company, said yesterday that under the agreement, Lucent would "plan, construct, implement and maintain"

It would also provide 100 per cent financing to SPC to The \$700m agreement is buy the equipment and

the nationwide wireless net-

SPC bid \$308m in a public

nications services) technology allowing voice and data transmission over the airwaves.

Mexico's Federal Telecommunications Commission about one-tenth of the 92m ended the wireless spectrum. bidding process on May 8. SPC plans a total invest-

ment of \$100 over the next five years, and is targeting 10m households without access to telephone services. Cortina, SPC chief executive, calls.

Salinas Pliego says Telmex has installed lines for only population, customers will be able to come into any store of his Klektra retailing chain, pay \$50 for a telephone, plug it into a power outlet at home and immediately make or receive local According to Javier Sarro or long-distance telephone

lines offered by Telmex, the uses PCS (personal commu-network is to provide a will be built on top of the "plug and play" service to Elektra stores and the retailer, which salls white In a country where Mr goods on credit to low-income families, will also handle the billing.

SPC says it is financing the spectrum acquisition by raising \$180m in equity capital from private investors in Mexico and the US.

It also plans to issue highyield debt as a Rule 144A/ Regulation S offering of Senior Notes, with net proceeds of between \$225m and

AT&T. Yahoo! in marketing link-up

By John Labate in Name York

AT&T announced yesterday a marketing pact with Yahoo!, the internet search engine, in the latest attempt by the US telecommunications company to expand its reach to online consumers. In recent months AT&T has established similar links with other internet search engines, such as Excite and

However, unlike those agreements, the deal with Yahoo! is more a pure "products and service" marketing plan, as it does not include any closer the between AT&T's own internet service, WorldNet, and

Terms were not disclosed. but AT&T is believed to be paying millions of dollars. The new service will allow consumers reading one of several Yahooi website pages to click an AT&T icon to purchase international and domestic long-distance calling services, phone cards,

AT&T will offer long-distance service at 9 cents a minute to registered Yahoo! users.

The agreement also includes the use and marketing of AT&T voice-enabling technology by Yahool. This will expand the typed "chat room" meetings now widespread on the internet to include voice conversations. The new feature is expected later this year.

Internet search engines are considered vital "portals" to the internet. Most have added expanded services to attract more viewers for longer periods of time. AT&T's recent agreements highlight the importance of search engines for compa-

nies in other industries

looking to reach new audi-However, investors sent both companies' shares lower. By early afternoon, Yaboo! was down \$2% to \$115% and AT&T lost \$1 to **NEWS DIGEST**

MANUFACTURING

Eaton moves European HQ to be closer to customers

Eaton, the US manufacturing group that supplies the automotive; construction, semiconductor and general industrial sectors, is to move its European headquarters from London to Amsterdam early next year. The company said the transfer would take it closer to the bulk of its customers and that "the availability of a diverse workforce with multilingual skills was another major factor in our decision".

Stephen Hardis, chairman, sald: "The Netherlands is a strong and proactive supporter of the European Community." Eaton said job losses would not be significant and that it did not expect the regional head office decision to affect its 11 other facilities in the UK. Nikki Tait, Chicago

SOUTH KOREA

Emergency loan for Dong-ah

Creditor banks yesterday agreed to extend a Won600bn (\$422m) emergency syndicated loan to the Dong-ah construction group, South Korea's 10th largest industrial group, to save it from collapse. The deal followed the resignation of chairman Chol Won-suk, the group's main shareholder, and a promise by Dong-sh to restructure by selling subsidiaries and

Dong-ah received three emergency loans this year, but was threatened with bankruptcy after it failed to secure a \$250m loan from CSFB at the weekend. Its engineering unit declared bankruptcy last week.

Dong-ah's four main creditor banks - Seoul, Korea Exchange, Shinhan, and Commercial Bank of Korea - also agreed to roll over Dong-ah's existing loans for another year and lower interest rates to the prime rate. Dong-ah's net debt to equity ratio amounted to 349 per cent at the end of 1997.

Shin Bok-young, head of SeoulBank, said the decision to save Dong-ah was based on the need to prevent a large water irrigation project the Korean construction group is building in Libya from being discontinued. John Burton, Secul

ACCOUNTANCY

NWE Group

Consolidated

Energy

Matérials

net income without minority interests

Mining and Raw

Petroleum and

Engineering

Others

Waste Management

Mechanical an Plant

Construction and

Civil Engineering

Consolidated externa

net spies total

Cendant fires Ernst & Young

Cendant, the US direct marketing company that announced last month it had discovered potential accounting irregularities that might cut its profits for last year by more than \$100m. yesterday dismissed Ernst & Young, the accounting firm that had scted as auditors for the business where the alleged imegularities occurred.

The problems occurred at the membership organisation of CUC International, the company that merged with HFS to form Cendant at the end of last year. Cendant, which had stready dismissed the former CUC's chief financial officer. wild that Deloitte & Touche would continue to serve as the company's principal independent auditors, and would take over responsibility from Ernst & Young for the restatement of

Cendant said it expected to issue audited financial statements by the summer, and that its schedule would not be delayed as a result of the change in auditors, its share price slipped slightly in morning trading yesterday, down Si at \$23%. It was trading at \$42 before the alleged irregularities

Change

+ 9,5

6.4

~ 21.1

+ 4.3

+ 11.5

+ 29,7

RWE - Favourable business trend continues.

Net income up 9.5 %

Report on the first three quarters of 1997/98 (July 1997 - March 1998)

Net sales

In the first nine months of fiscal 1997/98, the Group's external net sales rose by .2.1 % to DM 54.0 billion. International sales advanced strongly by 21.9 %; sales generated with customers at home declined by 2.3 %. The international share in the Group's net sales advanced from 18.1 % to 21.6 %.

Additional companies in the divisions of Energy and Waste Management as well as in Mechanical and Plant Engineering were consolidated for the first time, while the Breuer group in the Mining and Raw Materials division and the TALKLINE group in Telecommunications were deconsolidated. Sales fell by 1.2 % when adjusted for consolidation effects. In the divisions of Energy, Mining and Raw Materials as well as Petroleum and Chemicals the business trend of the third guarter was impacted by last winter's mild weather. Sales grew most strongly in Mechanical and Plant Engineering where the development in the printing press sector was particularly

Petroleum and Chemicals, Energy

as well as Mining and Raw Materials with significantly higher profits

Divestiture of cranes and heavy-goods transportation completed

Conversion warrants for voting right reclassification successfully placed

pleasing owing to buoyant business abroad. Sales in the Construction division were significantly down from the year-earlier level for accountsettling reasons. Adjusted for consolidation effects and the varying account settlements in the Construction division, the Group's internal growth reached 1.6 %.

Net income

In the first nine months of fiscal 1997/98, the Group's net income without minority interests rose by 9.5 % to DM 961 million. Earnings growth was strongest in the Petroleum and Chemicals division which benefited above all from higher refinery margins. The divisions of Energy as well, ...

as Mining and Raw Materials also significantly improved their profits on the basis of consistently continued costcutting measures. Apart from the special charges incurred for risks from the eastern European operations in the first six months, the Waste Management division made additional prorated provisions for further restructuring at home. In Mechanical and Plant Engineering, net income in the first nine months still fell short of the year-earlier level mainly because of outstanding accounts in plant engineering. In Telecommunications, start-up losses continued to rise; this was eased up by the prorated profit from the sale of TALKLINE and the use of the Group's provisions earmarked for this purpose. Profits in the Construction division were up on the year

before mainly on higher income from foreign investments. For all of fiscal 1997/98, we expect the consolidated net Income to be again up on the year before.

Investments

At DM 3,970 million, the Group's Investments, including acquisitions, were slightly down from the year before. This was the result of lower financial investments which had been particularly high the year before due especially to our commitments at Motor-Columbus and Linotype-Hell. important additions to the Group's portfolio of holdings in the period under review were the acquisition of 50 % of the shares in Flughafen Düsseldorf GmbH by HOCHTIEF and increases of the stakes in the Hungarian energy utilities ELMÜ and ÉMÁSZ. Fixedasset investments remained unchanged in the period under review.

Workforce

First-time consolidations lifted the number of employees by 4.1 % to 141,714. The share of the workforce employed abroad rose from 9.8 % to

19.4 % on March 31, 1998, especially through the Hungarian companies consolidated for the first time. Adjusted

for consolidation effects, the

number of employees in the

Conversion warrants for voting right reclassification successfully placed

Group fell by 5.2 %.

As part of the proposed voting right reclassification of our Company, the bookbuilding process for issuing conversion warrants was successfully completed on April 24, 1998. The price per warrant was fixed at DM 10.50. The overall proceeds of DM 1.425 billion are above the minimum proceeds of DM 1.15 billion as determined by the Extraordinary General Meeting.

- 81.0 5.797 - 22.9 + 3.0 + 2.1 52,932 - 2.3 43,35E + 21.9 9.574 Following the resolution of the Extraordinary General Meeting of February 26, 1998, this completes the second

16,226

3,032

26,873

1,225

5,736

multiple voting rights. Essen, May 1998

The Board of Management

major step for abolishing the

RWE Aktiengesellschaft Opernplatz 1, D-45128 Essen Phone + + 49 201/12-00 Fax ++49 201/12-15199

Internet: http://www.rwe.de

We shall be pleased to send you an interim report on the business velopment in the individual

Nationwide launches All for the love of music \$1.5bn takeover bid

By John Auth In New York

Nationwide Insurance Enterprise, the fourth larg- through negotiations with est US general insurer, yesterday launched a \$1.5bn hostile cash offer for Allied Group, the largest insurer in

takeover bid by a mutual insurance company and advantages of a combin-offers Allied's shareholders a of our two companies." premium of 69 per cent com-

By midday, Allied's shares had gained \$141 to \$421. This is still some way short of Nationwide's offer of 347 ner share. There is a separate offer of \$65m for pre-Nationwide said that it

could pay for the deal with cash it already held on "We are serious about this and expect to

In a letter to Allied's senior executives, Dimon McFerson, Nationwide chief executive, said he regretted taking the offer directly to

because our efforts to effect a merger with Allied Group you and your board have been consistently frustrated. We have spoken several

times on this subject, starting in January, and I have repeatedly tried to persuade you of the great advantages of a combination Nationwide - which has

pared with Friday's closing no plans to demutualise in spite of recent announcements that Prudential Insurance of America and John Hancock Mutual would seek to float on the open market - said the deal would be driven by

Mr McFerson said combining the two companies' propcity and casualty insurance operations would provide pecessary scale and that there was a geographic fit. Nationwide, which is based in Columbus, Ohlo, is active mainly east of the Missis- acted as financial adviser sippi and has recently and dealer manager to

CINCINNATI, OH

Sensational, two-building, bio-pharmaceutical

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BINSWANGER

Camous-like setting

research complex totaling 440,000 sq. ft.

However, he added: "We sify its distribution system are taking these steps away from a traditional reliance on its own agents.
Allied is based west of the Mississippi and distributes primarily through independent agents. Hostile takeovers are rare

> in the insurance sector, because insurers are regulated on a state-by-state basis. This makes regulatory approval for mergers very difficult to obtain without the help of the target company. Acquisitions involving mutual companies are also rare, because of the prohibitively high legal

However, Cendant succaeded in a hostile tender offer for American Bankers Insurance of Miami earlier this year. Large insurers now seem prepared to consider hostile bids, as they attempt to bolster their strategic position in response to the large deals that have been seen recently in the hanking sector.

Credit Sulms First Boston

Alice Rawsthorn looks at Seagram's motives for pursuing PolyGram

entertainment industry.

The key to Mr Bronton

cited one of his grandfather's

sayings: "Shirt-sleeves to shirt-sleeves in three

Seegram has been run by

the second generation of

Mr. Bronfman's father and

uncle became chairman and

co-chairman of the manage

The company flourished

ment board, respectively.

helped by the 1981 acquisi-

tion of a 24 per cent stake in

Du Pont, the US chemicals

company. By the mid-1990s.

the stake had trebled in

value and provided roughly

half of Seagram's annual

When Mr. Broniman

generations."

profits."

sights on buying MCA, the biggest music group as a Hollywood movie studio, be flew alone to Osaka in his Gulistream IV jet to meet the president of Matsushita,

At their meeting, Mr once placed under an office Bronfman persuaded Mat- portrait of his grandfather, sushita to begin exclusive talks with Seagram. Free from the threat of a corporate auction, he struck a deal to buy 80 per cent of MCA, which Wall Street valned at up to \$10bm, for 25.8hr.

Unfortunately for Mr. Bronfmans since 1971, when Bronfman, the run-up to his latest takeover attempt negotiating the purchase of PolyGram, the Dutch music and film group, with Philips, its majority shareholder has been more complicated. This time, negotiations have been conducted in public, and he has had to prepare an offer for submission to the Philips board today against the threat of counter-bids from several US investment consortia.

became chief executive in Mr Brondman, 48, cannot afford to fail and has raised 1989, he wanted to make his mark on Seagram. The his upper price limit for global drinks market was PolyGram from \$10bn to mature, and rather than more than \$10.5bn. Bruised

When Edgar Brontman by criticism of MCA's recent he chose to diversify into Jr. Seagram's chief performance, he sees turning entertainment, an area executive, set his Seagram into the world's closer to his own interests. Before joining Seagram,

Mr Bronfman had lived in masterstroke to justify his Los Angeles, working as a expensive foray into the songwriter and aspirant film producer. A friend from that thinking lies in a sign he era remembers him "as a sweet, bright guy, who loved films and was absolutely the picaresque bootlegger who founded Seagram. It ctany about music".

By 1995, Mr Brontman had persuaded his father and reluctant nucle to sell the Du Pont shares, and buy MCA. The deal was criticised on Wall Street, but initially welcomed in Hollywood, tool in became exident that Mr Broniman had bought MCA without deciding on a strategy, or a new manage

Deople are more aceptical of a person's ability if he's horn with money. Mr Bronfman remarked to Vanity Fair magazine shortly after the acquisition. He has struggled ever since to convince his aceptics that he is not a starstruck brat frittering away his family fortune.

Occasionally, the Bronfmans have played into their critics' hands by making it expand further in chemicals, apparent that they still see

Dent 19 May 1995



Edger Bronimen Jr. must prove his enthusiesm will pay

Seagram as a family firm. "suits" such as Sir Colin even though they only own 35 per cent of it.

Before PolyGram, Mr Bronfman was intent on acquiring EMI, the troubled UK music group, and told the New Yorker magazine that "if it means overnaving. I would rather be called a schrouck for another few years". In the same article, his father explained the decision not to bid for Du Pont with: "What fun would it have been (for Edgar Jr.) to go to Wilmington, Delaware and run that business?"

Running the world's largest record company would undoubtedly be fun for someone who is "absolutely razy about music".

Music has been the most successful of the old MCA businesses under Seagram. and it is an industry where enthusiasm is a managerial asset. The most successful record executives tend to be entrepreneurs, who combine business flair with a love of nusic – like Ahmet Ertegilu, founder of Atlantic Records in the US, or Alan McGee, chairman of the UK's Cre-

Southeate the British industrialist who chairs EMI. - Yet Mr Bronfman's critics

argue that his enthusiasm bolstered by the counsel of David Geffen, the music mogul who has been advising him on the PolyGram deal - is gooding Seagram into expanding in music at a perilons time when global record sales are sluggish. and internet piracy is rising. The deal could run into antitrust problems in the US, where Seagram and

PolyGram would have a combined market share of 24 per cent. It might also come under political pressure in Europe, if Seagram tries to dismantle PolyGram's film business, by far the largest in the region, Mr Broniman also faces the daunting propect of melding the best of PolyGram and Seagram's management into a bigger

entertainment subsidiary, Despite these difficulties, he is still intent on clinching the deal that, he hopes, will defuse his grandfather's fears for Seagram under the "third generation" of ation Records - rather than Bronimans.

NEWS DIGEST

Mercantile Stores sold to Dillard's for \$2.9bn

Dillard's, the US department store chain based in Little Rock, Arkaneas, has agreed to buy Mercentile Stores in a \$2.9bn cash transaction valuing Mercantile chares at \$80 each. Mercarrille operates 119 stores, mainly in the south and into-west of the US, under 13 different names and generated sales of more than \$3bn lest year. The Milliken family, holders of approximately 40 per cent of the stock of Mercantile Stores,

has contractually agreed to support the transaction.

"This acquisition will allow us to broaden the markets in which we have stores and help us to better serve customers in our existing markets," said William Dillaid, chief executive officer of Dillard's and the son of the founder. Dillard's, estab-Sehed 60 years ago, operates 272 department stores in 27 states almed at middle and upper-middle income customers. Tracy Corrigen, New York

HEALTHCARE

Cardinal acquires RP Scherer

Cardinal Health, a healthcare services company, has agreed. to buy RP Scherer, a manufacturer of drug delivery systems, in a deal valued at \$2.20n. "We are very excited about this merger with Scherer and the potential it offers for greatly enhancing both companies' current range of services to drug manufacturers," said Robert Walter, chairman and chief executive officer. Cardinal offers services such as pharmaceutical distribution, hospital pharmacy management, pharmaceutical packaging and clinical information systems development. Scherer is the world's largest producer of soft geletin cap-

Under the terms of the agreement, Scherer shareholders will receive 0.95 Cardinal Health shares per common Scherer share held. Cardinal will Issue about 23m shares and is expected to assume about \$1.59m in long-term debt. The deal has been structured as a tex-free transaction; to be accounted for as a pooling of interests. Tracy Corrigen

RETAIL

Office Depot strikes Viking deal

Office Depot, the US office products retailer, yesterday announced that it was buying Viking Office Products, a maliorder supplier, in a stock swap valued at about \$3bn. The deal continues a consolidation trend within the retailing industry, and followed a similar buy-out of a mail-order supplier by Staples, Office Depot's biggest rivel in office products reteling. By mid-sassion, Office Depot's share price had dropped about 10 per cent, off \$31/2 at \$30\frac{12}{4}, while Viking had gained about 25 per cent, up 96 at \$294.

The company said that cost cuts would allow it to enhance earnings per share for both companies next year. It predicted annual savings of \$35m next year, rising to \$55m in 2000. Nine Viking distribution centres will be closed, and the comparty also expects to gain from greater efficiencies in its informetion technology operations, and from increased purchasing power. Office Depot also expects to increase revenue by using Viking's operations in Europe, with the UK and Germany targeted for expension. John Authers, New York



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7,154300,000,000 Floating rate notes due 1996 Linconditionally guaranteed

by THE KINGDOM OF SPAIN ir accordance with the opisions of the notes, nation is hereby given that for the six months interest period 19 May 1998 to 19 November 1998 the notes will carry on interest rate of 5.6875% annum. Interes payable on 19 November 1998 will amount to US\$290,69 per US\$10,000 note and US\$2,906.90 per US\$100,000 mote.

Agent: Morgan Guaranty Trust Company

when the BCSC will be consulted too were after the dest on for nt of pushel extemption and five years after the cise out fo mean to Condition 11 of the Turne and Conditions of the No Principal Project Asset

Société Européenne de Banqu

National Partial Redemptio

EUROPEAN COAL AND STEEL COMMUNITY (BCSC)

(The "Issuer")

Vetice to the helders of TTL 39,100,000,000.

Duro Note Programme 1991/1999-2008-2001

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CHESTERTO

ACTIVITY FOR THE FIRST QUARTER OF 1998

At the Group level, TECHNIP achieved consolidated turnover for the first quarter of 2,730 million French francs compared to 2,433 million French francs for the corresponding period of 1997. This is an increase

Consolidated turnover

(in millions of French france)	First quarter	First quarter 1997	
Group tumover	2,730	2,433	

TECHNIP

DESIGN & CONSTRUCTION OF MAJOR INDUSTRIAL PROJECTS JPMorgan

(X)

HSBC Holdings plc US\$250.000.000 Subordinated collared

floating rate notes 2008

The notes will bear interest at 5.51953% per arman for 19 May 1998 to 19 November 1998. Inveres payable on 19 November 1998 mill and to US\$28.21 per US\$1,000, US\$282,11 per US\$10,000 and US\$2,821.09

Agent: Morgan Guaranty Trust Company

Companhia

Energética de

Contracting and Contracting from the Contracting of the Contracting of

CITICORPO U.S. \$250,000,000

Subordinated Floating Rate Notes Due August 2003
Notice is bamby given that the Rate of Interest for the period May 19, 1998 to August 19, 1998 has been had at 3.574225 and that the interest payable on the relevant Interest Payment Date August 19, 1988, against Coupan No. 21 will be US\$71.23 in respect of US\$5,000 nominal of the Notes and US\$1,424.52 in respect of US\$100,000 nominal of the Notes.

May 19,1998, Emdon

Br. Citesh, N.A. Kopeste Ageny and Inst. Agent Inst.

CITIBANCES

NATIONAL BANK OF CANADA

USD 200,900,000 Floating Rate Notes due 2001 In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Penod from May 19, 1998 to August 19, 1998 the Notes will carry an interest Read of 5.79922 % per annum.

The Coupon Amount payable on the relevant interest Payment Date, August 19, 1996 will be USD 148.20 per USD 10,000 principal amount of Note and USD 1,482 02

per USD 100,000 principal

Votice of Partiel Red Cardiff Automobile sivables Securit (UK) No.3 plc 000,000,0813 £14,600,000 once is hereby given that many he following Notes will be edeemed on 27th May, 1998, Class A Notes, 1,334 Notes (Value £13,340,000) Value £1,080,000)

ten Trust Principal Payl

19th May, 1995

U.S. \$100,000,00g DEN DANSKE BAJEK



Melanie Miles

on

Tel: -44 0171 873 3349

Fax: +44 0174 873 3064

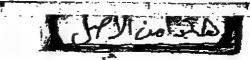




ANNOUNCEMENT

PUBLIC HEARING FOR THE PRIVATIZATION OF ELEKTRO - ELETRICIDADE E SERVIÇOS S.A.

CESP (Companhia Energética de São Paulo), which intends to sell an equity stake in its electric energy distribution subsidiary, Elektro - Eletricidade e Serviços S.A., informs all interested parties of the Public Hearing which will take place on May 28, 1998 at 2:30 p.m. at the Bolsa de Valores de São Paulo - BOVESPA, on Rua Alvares Penteado, 151 - ground floor - São Paulo - Brasil.





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Gold Fields of South Africa Limited

(Registration number 05/04181/06) Incorporated in the Republic of South Africa) (GFSAT)

Now With Limited (Registration number 05/04822/06) ("New Wits")

Vogelstruisbutt Metal Holdings Limited (Registration number 05/04346 d in the Republic of South Africa)

(collectively "the Companies")

Cautionary announcement

Shareholders of the Companies are referred to the cautionary announcement regarding the proposed Driefontein Consolidated Limited joint venture, which was published in this publication on 18 May 1998, and are advised that the boards of directors of the Companies are considering various restructuring alternatives to unlock shareholder value in the Companies. These alternatives may include, inter alia, the unbundling or disposal of assets of the Companies or entering into arrangements with appropriate partners.

Shareholders are accordingly advised to exercise caution in dealing in their shares in the Companies until a further announcement is made.

Johannesburg 15 May 1998

Marchard banks







GOLD FIELDS COAL LIMITED

ion number 01/01124/06) ited in the Republic of South Africa) ("GF Coal")

Cautionary announcement

Shareholders are referred to the cautionary announcement dated 8 April 1998 regarding the possible merger of the coal interests of GF Coal and Kangra Group (Proprietary) Limited ("Kangra") and to the ceutionary announcement, appearing elsewhere in this publication, regarding the potential restructuring of Gold Fields of South Africa Limited and its subsidiaries ("the GFSA restructuring").

Apart from the negotiations, which are still in progress, regarding the possible merger of the coal interests of GF Coal and Kangra, GF Coal could also be affected by the GFSA restructuring. Shareholders are accordingly advised to exercise caution in dealing in their GF Coal shares until a further announcement is

orudaannaahol. 15 May 1998





NORTHAM PLATINUM LIMITED

(Incorporated in the Republic of South Africa)

Cautionary announcement

Shareholders are referred to the cautionary announcement, appearing elsewhere in this publication, the potential restructuring of Gold Fields of South Africa Limited and its subeldiaries. Northern

could be affected by this restructuring and shareholders are accordingly advised to exercise caution in dealing in their Northam shares until a further announcement is made

15 May 1998 Herchant book



Equities

Standard Equities (Pty) Limited

THE FIRST MEXICO INCOME FUND N.V. Curação, Netherlands Antilles

Annual General Meeting of Shareholders

is hereby given that the Annual General Meeting of Shareholders of THE FIRST MEXICO INCOME FUND N.V. (the "Corporation"), scheduled for April 24, 1998 at 3:00 p.m. ands Antilles time) at the office of the Corporation at 14 John B. Gorsitaweg, Curação, Netherlands Antilles, was postponed

A new meeting has now been called to be held on May 29, 1998 at the office of the Corporation at 14, John B. Gorsiraveg, Curacao. Netherlands Antilles at 3:00 p.m. The Agenda remains mechanged. Shareholders who previously submitted a proxy need not do so

The Ageoda and Annual Report 1997 may be obtained from the offices of the Corporation and from the Paying Agent mentioned percupier. Shareholders will be admitted to the meeting on entation of their there certificates or vouchers, which may be obtained from the Paying Agent.

Willemstad, Curação, Netherlands Antilles, May 13, 1998.

Paying Agent

MeesPierson N.V. 1012 KK Ams

Pirelli Tyre Holding N.V.

At the annual General Meeting of Shareholders held on 7 May 1998 the dividend for the financial year 1997 has been set at NLG 1.75 cash per share of NLG 10.00

The dividend will be payable from 29 May 1998, less 25% withholding tax, on delivery of dividend coupon No. 4 at the following paying agents:

MeesPierson N.V., Amsterdam Generale Bank, Brussels Dresdner Bank A.G., Frankfurt (Main) Credito Italiano, Milan Swiss Bank Corporation, Zurich

Holders of shares in CF-form will be paid the dividend via the institutions where the dividend sheets were deposited on 7 May 1998 after close of business.

18 May 1998 Pirelli Tyre Holding N.V. Merwedeweg 3-N 3621 LP Breukeler



COMPANIES & FINANCE: ASIA-PACIFIC

EQUITIES JAPANESE MARKET'S FALL TO FOURTH PLACE BLAMED ON FALLING CURRENCY

London replaces Tokyo as fund management capital

By Gallian Tett in Tokye

Tokyo has been knocked off its position as the world's to be one of the world's largest equity investment premier financial centres. centre after the value of equity funds managed by nstitutional investors in the city plunged 32 per cent last year, to Y1,104hn (\$8.2hn).

London, by contrast, saw funds under management surge 48 per cent to \$1,808bn, making it the largest equity investment centre in the world, according to Technimetrics, a US-owned research and database

Boston and New York also increased their funds under management to take third

is a humiliating blow for the Japanese authorities, who had considered their capital

The government's "Big Bang" reform proposals are intended to make Tokyo more attractive as a financial centre. Technimetrics compiled the report from mutual fund

information, stock market

listings, government reports

and company accounts

around the world. It blames Tokyo's decline last year in part on the falling currency. The yen yes-terday touched a six-and-ahalf year low of Y135.5 against the dollar.

time, London's stock market index rose by about 25 per cent. This left the market capitalisation of the London Stock Exchange larger than the Tokyo stock exchange

for the first time. Tokyo's position was also undermined by the decline said that the "Big Bang" in other Asian stock reforms could help revitalise markets.

Many equity analysts in Tokyo also said they suspected that there was a growing tendency for Japatrades overseas to avoid expensive red tape.

analyst at Dresdner Klein-

severed all official links with

PBL and CPH, but his

Tokyo's position has also and second places, respectively, in the global ranking. Tokyo's position has also figures do not surprise me at tively, in the global ranking. Suffered because the Japa-

Tokyo's fall to fourth place nese stock markets weak- I think more capital could ened last year. At the same 'flow overseas out of Japan." Technimetrics said Tokyo's decline represented a sharp contrast with earlier years: in 1990, Tokyo's equity assets were larger than the next 14 largest

cities put together.

Tokyo. in particular, the reforms could suck up to Y10,000bn of assets out of low-vielding bank accounts into domestic nese investors to conduct and foreign equities, it said. London's growth as a fund

xpensive red tape. management centre Ken Okamura, equity stemmed from the fact that US investors were increaswort Benson, said: "These ingly diversifying into Eurofigures do not surprise me at pean stocks, said Techni-

Packer passes control to son

Dy Russell Dains to System

Kerry Packer, Australia's Fairfax. richest man, has handed day-to-day running of his media empire to his 30-yearold son, James, and appears to have tightened his grip on the John Fairfax Australian newspaper group.

James Packer was yester- Kerry Packer has long day appointed executive held an ambition to control chairman of locally listed Publishing and Broadcasting (PBL) and chief executive of the family's privately-owned Consolidated Press Holdings.

CPH holds 45 per cent of PBL, which owns the Nine national television network and Australia's largest sta-ble of magazines. CPH also Fairfax because he controls owns 45 per cent of the FXF

Trust, which has a 14.9 per cent shareholding in John

Brian Powers - the man whom James Packer is succeeding at PBL and CPY has been appointed to the board of Fairfax and intends to buy a 14.9 per cent stake m FXF Trust.

John Fairfax, which publishes the Sydney Morning Herald, Melbourne's Age newspaper and the Australian Financial Review.

However, Australia's cross-media ownership rules forbid him from owning

appointment as a Fairfax director will be seen by many as giving Kerry Packer another ally on the Pairlex boant

about the future of Fairfax, which may soon see a big change to its share register There has been much talk that Brierley Investments

(BIL), the New Zealandbased investment group, may be looking to sell its 24 of the recent sudden resignstions of Paul Collins, chief the future".

Mr Powers yesterday executive, and Bob Matthew.

chairman Meanwhile, James Packer's elevation to the top jobs at PBL and CPH is part of a wider changing of the guard at the Packer empire. PBL also announced that Nick Yesterday's manosuvres Falloon, 40, had been sparked further speculation appointed chief executive, a position that had been held

Speaking as a retiring Packer executive, Mr Powers said the "appointments complete the management transition which began two years ago. It leaves PBL with per cant shareholding in a top management team" Fairfax BII, is reviewing all. that is "young, bright, expeits investments in the wake rienced and well equipped to lead the company well into

Marubeni cuts profits forecast

Marubeni, one of Japan's leading trading companies, expects group profits to be Michiyo Nakamoto in

The group, which has been geressively expanding in the region, revised its net profits forecast to Y17bn (\$127m), from Y80bn previously. It blamed an extraordinary loss of Y9bn stemming from currency losses related to Indonesian and Thai interests

The trading company has 64 subsidiaries and affiliated businesses in south-east Asia, of which 28 are in Indonesia and 16 are in Thailand. The operations cover sectors ranging from textiles, metals and construc-

As many of these companies have borrowed funds in US dollars, the sharp decline significantly lower than fore in the Indonesian and Thai cast because of the adverse currencies has resulted in a impact of the currency crisis surge in short-term debt Marubeni explained.

Chandra Asri, a chemicals plant in Indonesia in which Marubeni has a 21 per cent stake, is likely to be a further drain on company funds, according to Kota Nakako, analyst at SBC Warburg. Last year Marubeni had to invest \$150m in the plant, raising its total investment to \$220m. However, the weak chemicals market means further support may

Marubeni's weakened credit rating could hit its ability to raise funds at attractive rates. Moody's is 1 to Y5. reviewing Marubeni's single A-2 senior debt rating.

Nikon hit by slow sales of chip parts

Nikon, the Japanese of the profits decline. electronics group, yesterday announced a near halving in net earnings for the last financial year and warned writes, Alexandra Harney in

The company blamed slow sales of semiconductor compopents and a collapse in the price of dynamic random ccess memory (D-Rem)

Tokyo.

Net earnings dropped almost 50 per cent to Y8.36bn (\$62m) in the year to and-March. in the current year they are forecast to fall to

Nikon predicted continued difficulties in Asia and said it would cut its dividend from last year's Y8 a share

The shares slid 5 per cent to close at YL007 on news

Yutaka Sugiyama, semiconductor analyst at SBC ... Warburg in Tokyo, warned ... that the industry was likely that profits would fall by a to deteriorate further

> low demand in Asia. The semiconductor components, known as steppers: account for more than half

> of Nikon's sales. Meanwhile, a steady increase in overseas sales helped Operon, the manufacturer of factory automation equipment, to increase group net profits 16 per cent to Y18.3bn in the year ending

Turnover was up 3 per cent at Y612bn. Strong performances in factory control components in Europe and America, and growth in domestic sales of healthcare devices, contrib-

Patriotism not the last refuge for Proton

Restructuring is seen as the salvation of Malaysian carmaker. writes Sheila McNulty

year ago, would-be buy-Aers of Malaysia's national Proton car faced a six-month waiting list. Those who wanted a say in the colour or accessor often had to wait even longer. Sales staff were inattentive; sales promotions unheard of.

Now, promotions are the norm: customers are readily given a choice of everything from the floor mat to the car cover, and buyers can drive a Proton off the forecourt. The region's economic cri-

sis has, for now, dented demand for the car, but analysts say Proton must undertake extensive restructuring to prepare for 2003, when it faces a stiffer challenge the removal of tariffs on foreign cars.

Proton's success has been built on imprudent lending. and the financial crisis is rattling its shaky foundstions. Financial Institutions, which had once freely lent 90 per cent of the purchase price without demanding too much in the way of collateral, find themselves under growing pressure. As the economy has slowed, Malaysians have had trouble making monthly payments. Repossessions are mounting and bankers growing increasingly selective in their lending.

The carmaker expects domestic sales to drop 60 per cent this year. It has cut production, halted recruitment, ended overtime, reduced cut down on high import jects that the carmaker's net



Most important, the car-

maker must become more

responsive to the needs of

shareholders than those of

the pation. That means

sourced locally.

annual bonuses and frozen pay. The company has even delayed building a M\$5.75bn (\$1.5bn) plant and town, dubbed Proton City, and is sing plots on the project's land for Malaysians to grow

"People buy a Proton because it's what they can afford. It's not what they want," says Jonathan Duckett, a member of the institutional sales team at Paribas Asia Equity. "They really need a product that will fight with the best of them." That means using the expertise of Lotus, the UK carmaker controlled by

Proton's parent company, the DRB-Hicom Group, to update its designing and engineering. Analysts believe Proton

must build key parts, such

as the engine, in Malaysia to

retrenching staff at a time when revenue is shrinking. owever, the Proton owes its very survival

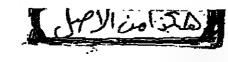
to the government, and Mohd Saleh Sulong, chairman, said recently that the country's 'political masters have urged employers not to be basty in retrenching". "Weak demand and inten-

sifying price wars should tip auto earnings into negative territory if Proton does not cut its costs fast enough." says Jenny Yeow, assistant vice-president of Merrill

costs. It also needs to negotiincome will fall from 1997's ate better prices for parts M\$741.5m to M\$676.6m for the year ended March 31, and to just M\$31m in 1999.

Proton, however, is hoping its new emphasis on exports will pull it through the downturn. The carmaker expects to export 52,000 vehicles in 1998-99, up from 30,000 in the year just ended. So far Proton has not had an easy time making inroads abroad, where Japanese. European and US brands are better known.

Analysts hope the carmaker sees its salvation in restructuring and not last in its status as the national car. But there is no doubt Mr Mohd Saleh is counting on patriotism to help it through the months ahead. "The people of Malaysia do not want to see Proton fail," he Lynch in Malaysia. She pro- says, "We have the support



() Son

11 (4

MORE GROUP INCREASES SHARE OF UK OUTDOOR ADVERTISING MARKET THROUGH ACQUISITION OF TOWN & CITY

Vivendi disposes of its 20% Decaux stake

The battle for control of More Group, the UK outdoor Vivendi, the former Compag-nie Generale des Eaux, sold Claude Decaux 100 per cent

that Vivendi had sold its and \$100m. stake back to the familyowned Decaux group acquired several years ago. because it opposed the bus was too small to be of strateshelter and billboard group's gic interest, while Detaux \$7.5m (\$12.6m) acquisition of be referred to the Monop-

planned \$475m (\$793m) take- said: "There is no question a regional billiboard group, olies and Mergers Commisover of More.

advertising company, took a Decaux paid only \$50m \$75m further twist yesterday as to buy the stake back, giving its 20 per cent stake in control of the group. The Decaux, More's French stake is thought to have been offered to More Group Decaux denied speculation previously for between \$75m

Vivendi said the stake.

of Vivendi being unhappy Neither company would with our bid. They told us comment on speculation that long before we mooted this takeover that they wished to withdraw."

More Group, meanwhile, muddied the waters ahead of the UK competition authorities' impending decision on whether a Decaux takeover would create an excessively dominant company. It lifted its share of the IIK outdoor advertising market by about 1% per cent through the

Roger Parry, More's chief executive, said this would give More a 26 per cent mar-ket share, while Decaux which has a 4 per cent share - said the figure was 24 per

Analysts said that Margaret Beckett, the trade and industry secretary, was unlikely to be influenced by the acquisition when she rules this week on whether Decaux's offer should

Town & City, which had gross sales of \$7.5m last year, will give More Group 20 per cent more 96-sheet panels and 55 per cent more 48-sheet billboards.

lt also emerged that More's bank debts bave risen from \$40m at the end because of acquisitions and

One banker not connected

Barclays and Chase, may have reservations about extending the facility to

Decause Decaux said the increase in More's debts would not affect its ability to outbid Clear Channel, which had agreed an earlier \$446m bid

significant premium for this business, and our financing has been out in place with that in mind," the company

COMMENT

Christie's/Artemis

François Pinault has let Christies shareholders enjoy Christle's International a last blockbuster sale. At 18 times operating profits, his FISE All-Share inter \$721m agreed offer is unlikely to entice other bidders into the fray. Fortunately for Mr Pinault, he does not have demanding investors to hold nim to account for overpaying: Credit Lyonnais - whose 24 per cent stake in his holding company Artemis is marked for disposal - is

hardly an authority on how to preserve shareholder value. Artemis has paid heavily for market leadership in an industry with high har-

riers to entry. With margins and profits per employee higher at Sotheby's, its main competitor, Christies has room for improvement. But with Mr Pinault reluctant to shake up its plue-blooded culture, trenchant cost-cutting is unlikely.

Where Artemis may add value is in increasing the auction house's financial sophistication as it moves further away from pure commission-based sales. Developing higher margin financial services to include more than taking principal positions and providing short-term loans to customers is one possibility. But it is hard to imagine Artemis being better at this than the financial engineers at SBC Warburg, which bid some £200m less for Christie's at the start of the year.

Furthermore, the international art market is at its post-1989 peak. The high prices paid for the finest objects, particularly within the key area of post-1870 paintings and sculpture, should draw out more desirable goods to keep Christies busy. But with financial uncertainties in south-east Asia and Japan leaving responsibility for growth to the continuing success of the US and European economies, Mr Pinault may find demand more elusive.

More Group

With impolitic timing. Vivendi has thrown its 20 per cent stake in Decaux back to the outdoor advertiser's family owners at a crucial moment in their bid for More Group. Clearly, for the French utility to sell non-core holdings is sensible. But since a flotation of Decaux is on the cards. hanging on to the stake would have realised more than the rumoured \$50m-\$75m. Such behaviour on Decaux's part raises question about whether it had all its ducks in a row on this aggressive hid just days before the all-important

STH plans a flotation in New York and Amsterdam

Sita Telecommunications Holdings (STH), which operates the world's largest data communications network for the airlines that control it, confirmed yesterday that it was planning a stock market flotation expected to value the company between \$3bn

company is expected to be floated in New York and Amsterdam later this year intends to sell any part of its giving gross proceeds of stake and the flotation will between \$400m and \$500m take place through the issue which will be used "to sustain the rapid growth of the

and its subsidiaries were

Equant in a move to develop that name as a global brand.

Sita, the Société Internationale de Télécommunications Aeronautique, a nonprofit organisation established 50 years ago to provide telecoms services for the world's airlines, owns 60 per cent of STH Morgan Stanley Capital Partners has Some 15 per cent of the a 30 per cent stake with the remainder owned by employees. No existing shareholder

of new shares. The price will be set by a book-building exercise, Mor-STH also confirmed that it gan Stanley Dean Witter and Salomon Smith Barney have

changing their names to been appointed joint global customers other than the co-ordinators while Morgan Stanley Dean Witter will be sole bookrunner.

> The change of name affects STH's operating divisions. ITS, which becomes Equant Integration Services and Novus which becomes Equant Application Services. Equant Network Services. which operates the global network, is unchanged Didier Delepine, chief executive, said the funds raised

> would buy networking capacity. He said owning rather than lessing network - ms would mable the company to reduce prices. Equant came into being as the vehicle for Sita to sell

airlines. These include Shell, Xerox, the international banking network Swift and SGS-Thomson, the computer chip maker. They now account for about 45 per cent of traffic over the network.

Equant is in competition with global alliances including Concert, owned by British Telecommunications, Global One owned by Deutsche Telekom and France Telecom and AT&T World

Last year its turnover was \$530m (\$390m). Losses before tax were \$27.7m (\$30.5m), but the company had positive earnings before interest, tax, depreciation and amortisaextra network capacity to

Mattel lifts bid for Bluebird

Mattel, the US toy group hattling to acquire the producer of Polly Pocket miniature playsets, yesterday topped its rival by a suitably diminutive halfpenny.

The US group's dip into Polly-sized pockets takes its bid for Bluebird Toys to 116%p, valuing the target at about £48.1m (\$80m). The shares closed up 2p at 116p.

Polly is not the only attraction at Bluebird, although she does account for 50 per cent of its sales. Her colleagues in the miniature world of playsets include Mickey Mouse, Donald Duck, and Batman.

Last week Guinness Peat, the investment company chaired by Sir Ron Brierley, offer from 101p to 116p ~ 5p above Mattel's priginal offer. The offer was declared final,

That really has got to be it," said one analyst, "Maybe shareholders will actually get their money now."

Chris Burgin, Bluebird's chief executive, said he was delighted Mattel had raised its offer, which the board was continuing to recommend. Mattel at the end of last week had received acceptances for 11.2m shares, or just under 27 per cent. Among those accepting was Hasbro, Mattel's US rival, with 6.9 per cent.

Blake Nixon, a Guinness Peat director, said yesterday that the group would be accepting the offer "unless something extraordinary happened." The group had paid an average of 89p a return was "not too bad".

competition ruling.

	Torse	ARE (STREET)	Pro-	s (seul	-	5 (p)	balament (b)	PORTUGAL	dividend	700	3691
Cambridge A'body 0 mits to Mir 31	0.945	(0.265)	2.97L	(8.41L)	13.4Lt	(50.5)					-
Cellbach 6 mms to Max 21	5.7	(2)	2.5	(5.9L)	3.1	(7.94,)	-		-	-	: =
Motorne (i mine to Mix 31	147.9	M25.5)	7.60	(10.8)	8.1±	(12.3)	4.5	July 1	4,3	-	14.5
Fine Art Dava	217.1	(235.5)	7,894	(10.24)	7.55	(5.74)	7.75	July 2	12.8	11.65	18.5
Paragon 6 inthis to Mar 31		(-)	11.1	(104)	12.1	(114)	1.3	July 31	1.2	-	E.7
Rever'n Plocedity d	12.1	(5.58)	1.03	(0.27)	D.922	(0.892)	0.2	July 20:	0.079	0.3	0.079
M mater to May 31	50.5	(49)	0.536	(88.I)	2.4	£5.3)	2.7	June 19	23	-	9.5
Style @ Yr to Feb 28	. 26	(27.3)	1.98	(1,53)	9.91	(8.8)	0.87	July 1	-	0.87	-
PF 5 impa to Feb 20	30.2	G1.8 1	8.50	(3.77¥)	6.5	(7.11)	1,7	Aug. 10	1.7	-	4.8
Holy & Duckey 6 mms to Feb 20	140	(133)	20,3♥	(18.87)	22,1	19.6	7.26	Ass. 28	8.6	-	18.7
Young (fi)	38.1	(29.3)	22	(1,64)	18.8	(5.7)	1.5	July 10	1.4	-	4.5
Investment Trusts	84	. · (a)				i (b)	Clarient payment (p)	Date of payment	Conseponding dividend	Your for your	Victorii Valla Valent
Florolog top & Cog	154	(107.04)	8.12	(6.58)	8.54	(6,27)	1.5	Jiane 1	1.55	5.8	1.6
FAC toc Growth Yr to Mar 81	145.7	(115.22)	1,68	(1.58)	3.88	(3.6)	1.25	June 24	1.5	3.65	3.55

Bittersweet farewell as Savoy goes west

The Abraham Lincoln and Manhattan rooms were an apt choice as the venue for the Savoy Hotel's annual meeting yesterday. The 109th meeting was the last before the group of luxury nd credit. †On increased capital. ‡ | into American ownership.

The hotel was founded in 1889 by the impresario Rich- off so many bids the manard D'Oyly Carte to accommodate visitors to the Gilbert and Sullivan comic operas staged at his adjoining Savoy Theatre.

Anthony Jones, whose love of the operas led him to buy shares 21 years ago, had

very sad that having fought agement caved in so quickly," he said. "Tve every respect for the Americans but it seems a shame the Savoy is going abroad."

With a gravity befitting the occasion, Sir Ewen Fergusson, chairman, told the 400 shire to be present. "It is understood the mixture of mix-

emotions many felt about the 2520m (\$868m) sale to Blackstone Hotel Acquisitions, a company controlled by Blackstone and Colony Capital, two US investment groups. He offered a guarantee on behalf of the management that the Savoy and its

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and fully paid

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19 May 1998

CURRENCIES & MONEY

EQUITIES

Europe falls on rate worries

EUROPEAN OVERVIEW By Martin Dickson

Trans-European equity indices fell yesterday amid concern over US interest

moil in Indonesia. The FTSE Eurotop 300 index closed at 1,201.99, down 20.35. while the Eurotop 100 index dropped 53.54 to 2,758.78. The Ebloc 100, which focuses on companies domiciled in founder members of the euro currency zone. dipped 16.4 to 1,000.39. A strengthening dollar and some safe-haven buying of

was restrained by fears that today's meeting of the US Federal Reserve's open market committee might, against general expectations, tighten monetary policy. The benchmark 10-year German bond was quoted in late trad-ing around 101.90, to yield 4.99 against 5.00 on Friday

Among equities, the best performing sector was investment companies. which jumped 6.03 per cent, thanks to a 10 per cent rise in Société Générale de Belgique, the Belgian holding company, which closed up

pean bond markets to mod- Ecu 14.3 at Ecu 157.72. first-quarter profits had been est gains, though the market. French utilities group Suez. hit by the expiration of cer-Lyonnaise des Eaux announced plans to buy out the shares in the company it did not already own.

Other sectors that closed other financials, building materials, support services. transport and information The broad financial sector

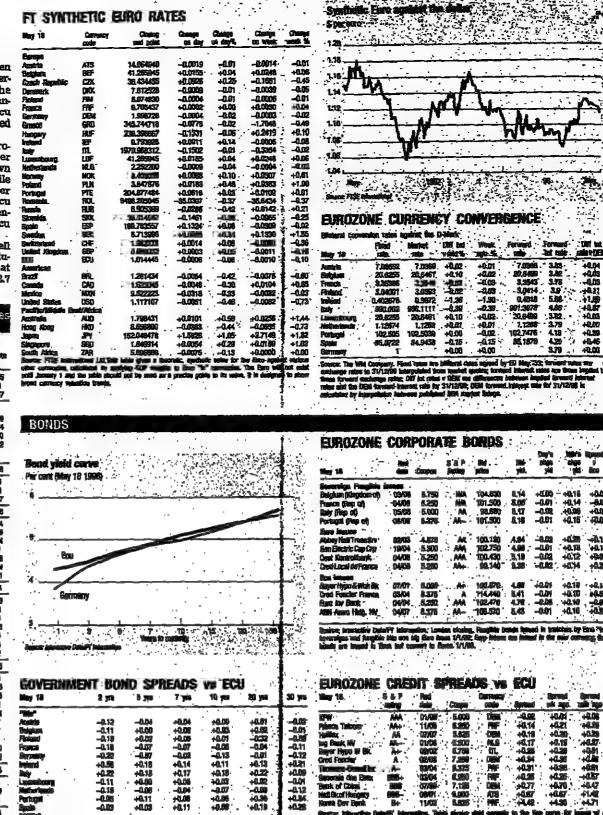
2.69 per cent, with Glaxo suisse Lonza down Ecu 28 at Wellcome down Ecu 0.9 to Ecu 24.66 after reporting that

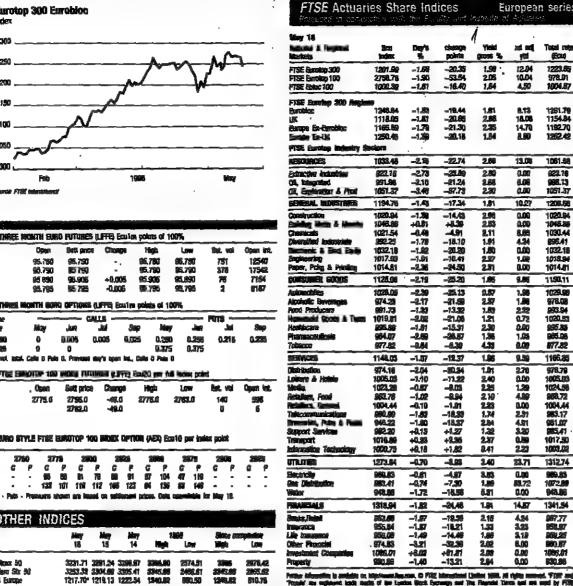
ing off 1.97 per cent and

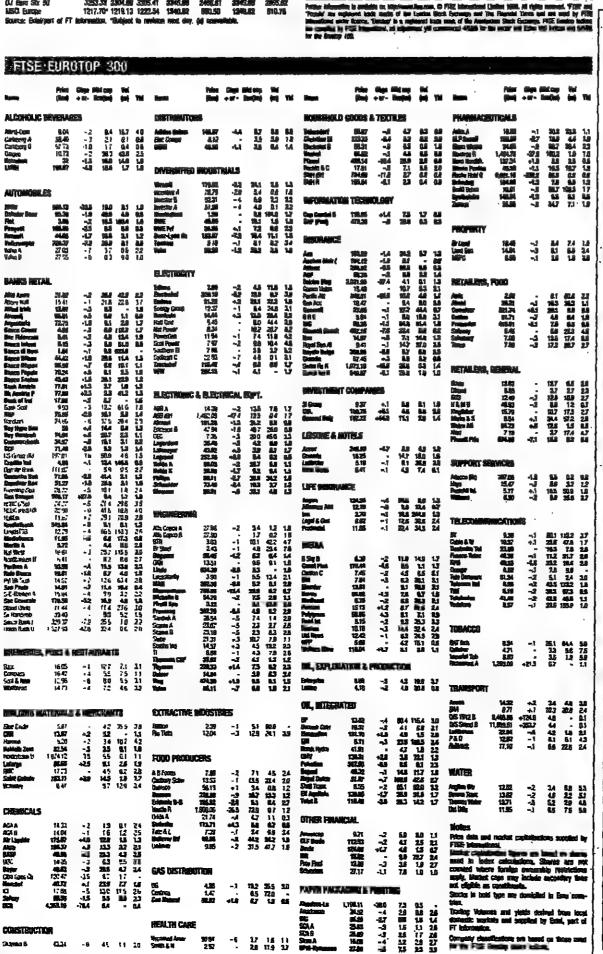
tain patents and the strength of sterling. Elf Sanoff was off Ecu 2.7 at Ecu

Oil exploration and pro-duction dropped 3.46 per cent, with Enterprise down automobiles fell 2.39 per cent, with BMW down Ecu suffered from jitters over 33.5 at Ecu 986.12 and Ren-Indonesia, with retail bank- ault Ecu 1.7 lower at Ecu

insurance down 1.87. Paper and packaging fell Pharmaceuticals dropped by 2.36 per cent, with Alu-Ecu 1196.11 and BIC Ecu 2.7

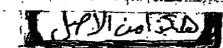






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FINANCIAL TIMES SURVEY

Shanghai

The city has undergone a remarkable rebirth but, says James Harding, it is entering a more challenging phase of development

A grand appetite for change

In its short and frenetic . Shanghai's bid to regain history, Shanghai has been a its past glory as Asia's comcity defined by ambition, mercial capital will matter From modest origins as a to more than just the city's fishing community just 200 years ago to its rensissance foreign companies that have as China's most dynamic poured in time and money it commercial metropolis in the 1990s. Shanghai has foetered grand visions - dreams of wealth, western moderni- tionship between governsation, Communist revolu- ment and enterprise as well tion and, most recently, free as throwing open the Chimarket renewal.

Now, it has set itself a fresh target for the next century. "The long-term objective is to be the financial, remarkable rehirth since the trading and economic centre 2010," says Huang Qifan, development in 1992. In the senior official of the municipast five years, Shanghai's pal Communist Party Committee, which sets the city's

strategic direction. This may be a tall order, at least in the short time the city has set itself. The foris tiny, the financial services industry is largely govern- number of mobile phone ment-controlled and industry is struggling with a Roughly one third of the . In turn, the development bangover from four decades of Communist central plan-

· But even if it takes longer than planned, the city's rise as an international commercial centre promises to Asian busine

13m residents and the 16,000 promises to propel China into new realms of economic reform, recasting the relanese market to international

Ambitions have been emboldened by the city's central government sancof the Asia-Pacific region by tioned rapid reform and past five years, Shanghai's according has more than dotbled in size. A frenzy of construction has spawned as much new office space as in central Hong Kong.

> tion in both consumerism and communications (the users will top 1m this year). And a tidal wave of foreign. any city in the world.



ict now has about as much office space as central Hong Kong and half that of central Londo

thicket of skyscrapers has former marshes on the east bank of the Huangpu river that are being developed into vest municipal library and a gleaming new opera house are all signs of a city burst-ing with life.

However, realising the vision of becoming a worldclass hub for international financial and commercial services will take more than the inflows of foreign money and domestic fixed asset investment that have driven growth in the 1990s. The city is entering a more challenging phase of development.

Shanghai will have to restructure its economy. blue-collar state factories of the central planning era a that can hold their own against international compe-

city's residents now own of the service sector will shares on the stock market. mean strengthening the formantions of a free market: capital has given Shanghai the rule of law, indepenthe highest level of interna-dently regulated financial tional direct investment of markets and an open, competitive business environ-

that challenge in two ways. First, the humbling of tic demand, GDP growth has financial centres across Asia slipped to its most pedeshas offered a cautionary tale trian pace in years - 8 per to China's would-be Wall cent in the first quarter of Street. Shanghai stood apart thanks chiefly to China's five years and the target for tight restrictions on foreign the year of 10 per cent: exchange. However, says

The story of this city's rapid development from mud-fists to skyecrapers and of the extraordinary person clemmy heat would be very like a sego. Its symbol should be the

Of whom I have heard told you could to Your body, magically moulding it To new estate? Are you not he who, born, Upon the dung-heep, coveted the sky,

Heroid Acton on Shanohai from Memoirs of an Aasthete, 1948

Zhou Yupeng, the vicemayor, it brought home the need for reform: "In the light of the problems that have emerged from the Asian crisis, we are trying to improve the environment for investors. We have improved the hardware - the infrastructure of the city - we need to improve the software."

Second, the knock-onneighbours have exposed

the fore - in particular, con-

About \$116bn worth of foreign and domestic investment drove growth between 1992 and 1997, but it camouflaged modest increases in productivity and slow progress in dealing with duplication of industries, ownership effects of troubled Asian reform and the bloated state sector workforce.

office blocks without the equivalent rise in profitable inesses to fill them.

Unemployment has become as much a feature of Shanghai as the famous construction cranes that sprouted across the city in the 1990s. Official figures the problem, suggesting Shanghai's jobless are only 7 per cent of the workforce. Many economists suggest the real rate could be double

Shanghai's tightrope trick, therefore, is to maintain social order, while pressing ahead with the next stage of reforms. In the short term, the government is peddling a number of measures to reflate the economy. But, in the longer term it will have to push ahead with deep changes on three broad

enterprise and greater rein to the financial markets.

As Wu Xiuyi, vice-chairman of the municipal government's Development Research Centre, acknowledges, ownership can promote efficiency: "Collectives enterprises and privatelyowned ventures have a better return than collectives." But, he says there will be no rush into privatisation: "The

the state should own." Similarly, the fledgling markets are in limbo. Established to anchor the city's hopes of becoming a financonsistently underestimate dal centre, the markets have been kept on a tight leash by the central government, leaving the sense that Shanghai continues to live in Beijing's shadow. Wang Yuchun, president of Shenyin Wanguo, China's largest brokerage house, says he would like the markets watchdog moved from the capital to Shanghai. "But, Beijing is still both the political and economic capital of

> The second prerequisite to Shanghai's development as markets. "Until China has a convertible currency, the country cannot have an international financial cen- at the Party Committee. tre," says Brewer Stone, bend of Prudential Securities

China," he says.

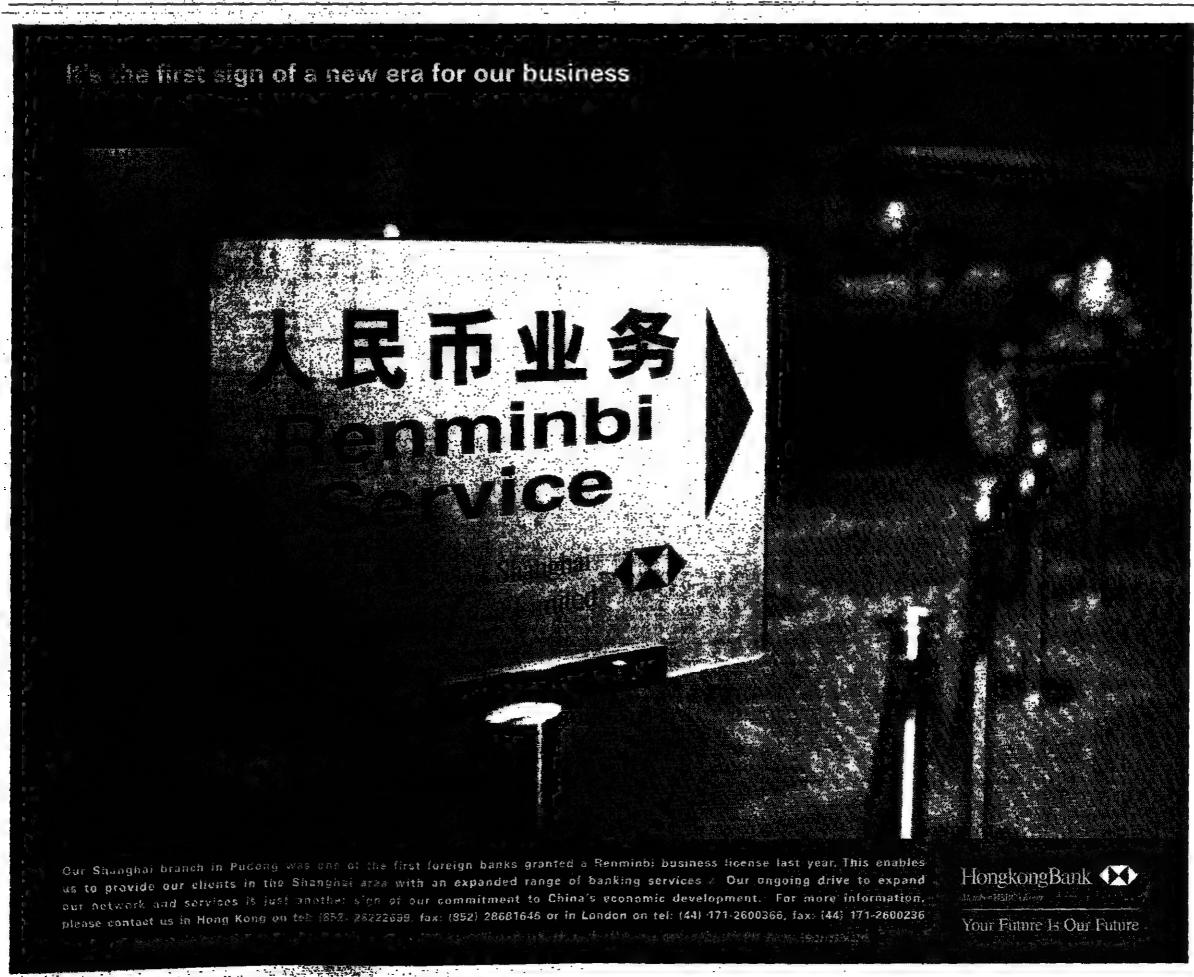
in Shanghai. open its financial services achieved with time and an

Thirdly, the government must relax controls on the media and freedom of culture that nourishes those high margin sectors of developed economies that thrive on innovation and imagination: information technology, television, music and

the government to give way. challenge to Communist Party rule in China's largest city, but it does threaten to make it increasingly marginal. A more liberalised economy may yet raise the awkward question of slectoral reform in Shanghal.

For now, the government brooks no discussion of ficial result," says Mr Huang

But, in Shanghai, nothing should be ruled out. The city has grand ambitions - ambi-Shanghal has started to tions that surely can be



The Asian sniffles settle in

Bold decisions must be taken at a difficult time to ensure continued growth

As neighbouring financial centres succumbed to the Asian 'flu last year. Shanghai seemed to be in good health. The city's exporting manufacturers achieved record overseas sales, retail sales reached a new peak. unprecedented foreign investments were unveiled and Shanghai's domestic stock market was the best performing hourse in Asia.

But such glorious isolation has not lasted long and, in the first few months of 1998, the signs from Shanghai are that Asian sniffles are setting in. The economy has started decelerating sharply as export growth has shrunk, foreign direct investment has slowed and weak consumer demand and chronic industrial oversupply have conspired to

corporate margins. The slowdown has repercussions beyond the city limits. Troubles felt in Shanghai, China's largest city and most internationally integrated local economy, tend to percolate through the rest

depress prices and squeeze

In the longer term, the success of its transition from the state-regimented indusplanned economy to a commercial and financial services centre serving a free domestic and international market will be a critical test

of China's reform process. Looking at the 1990s orgy of new building (fables of Shanghai being home to one fifth of the world's tail cranes were, for a while. true), shop openings and fresh business start-ups, the economic activity has been

Much has changed in a short time. Shanghai's economy was kept on a short leash by the central government until 1992, when Deng Xiaoping, China's late leader, visited the city and sanctioned the economic development and liberalisation of the country's longmuzzled business centre. Since then. Shanghai has one of the fastest growing cities in the world.

Over the past five years. GDP growth has skipped along at an average rate of nearly 14 per cent. Foreign trade has belped fuel the growth - the city's exports grew to \$14.7bn last year by comparison with \$6.5bn five years earlier. Consumer appetites have grown too. tripling retail sales in the last five years. Much of the expansion in the economy has been fuelled by invest-

ment, particularly inflows of

trial hub of a centrally amounted to \$28.46bn since 1992 coupled with RMB733bn in domestic fixed asset

But, Shanghai has entered a difficult phase. For the first time in more than five years, quarterly growth in the first three months of this year slipped into single fig-ures, as Shanghai's GDP rose just 8 per cent. The number of foreign investment projects has fallen 46.7 per cent compared with the first quarter of 1997.

fall in orders for Shanghaimade goods from South Korea at the East China Trade Fair in March, for example, the unravelling of nearby Asian economies is set to take its toll on Shanghai's exporters.

Judging by the 88 per cent

But, the Asian crisis is only partly to blame. Problems in the Shanghai economy are largely homegrown will be the solutions.

Deflation has been the clearest signal of the weaknesses in the domestic economy - the city's retail price index slipped 6.2 per cent last year. Half of the problem is slackening consumer demand, as most Shanghainese bought household electrical goods between 1992 and 1995 and their incomes have not risen sufficiently to whet appetites for higher quality or new goods.

The other half is oversuo

foreign capital which have ply. State industries overlap Already more than 100,000 and China's managers still people in Shanghai have taken out mortgages and the tend to focus on raising outcity plans roughly to double put rather than profits. Conthe amount of money availcentrating on the top line. at able for residential property the expense of the bottom line, is a legacy of socialist lending this year. management. But, Shanghai But longer-term remedies

theme parks are empty.

Nothing exemplifies the

copycat problems of the

Shanghainese economy bet-

ter than the property mar-

ket. A bottleneck in supply

in 1993/94 prompted a rash of

new construction, which has

more office space in Pudong

alone. Vacancy rates are

now among the highest in

Shanghai's government

knows it must reignite its

economy. It has pledged to

open the purse strings on infrastructure spending and

industrial lending. "Acceler-

ated capital construction is

essential to maintaining

Shanghal's development momentum," says Xu

Kuangdi, the city's mayor.

Shanghai aims to achieve 10

It also hopes to spur con-

sumer demand by encourag-

ing home ownership and the

consumption of household

equipment that goes with it.

per cent growth in 1998.

the world.

has added to the problems of for Shanghai's economy oversupply by fostering a require fundamental adjustcopycat business culture. in ments to the structure of the the early 1990s, the first Oversupply requires the amusement parks in Shanghai had healthy margins; now, most of the city's 97

dismantling of state-owned enterprises. By the cautious standards of China's cities Shanghai has been bold in allowing nearly 100 companies to go bankrupt since 1994. But, with more than 3m employees in the state sector, the process of closing down even the most moribund factories is delicate. delivered roughly 4m sq m Creating new jobs is a pri-

ority and the development of the city's white collar indus-tries, therefore, is essential. So far, the restructuring of the economy has been swift, but not swift enough to absorb the new jobseekers. The tertiary sector as a proportion of GDP has grown from 35.9 per cent in 1992 to 45.5 per cent last year.

Shanghai's development. therefore, will hinge on the the government's ability to take bold, liberalising decisions at a tough time. But, to maintain growth, draw more foreign investment and soak up the state sector's unemployed, the authorities have little choice.

FINANCIAL MARKETS • by John Ridding

In search of former fortunes

The city is gaining

momentum in its development as a financial centre

The grandiose facades of Shanghai's famous Bund once fronted finance houses that dominated Asia. Across the Huangpu river, the glass and steel structures of the fledgling Pudong business district mark a bid to regain that position.

We aim to build Shanghal into an international financial centre just the way it was in the 1920s and 1930s." says Mao Yingliang, presi dent of the People's Bank of China (PBOC) in the city. "We can combine the Bund area of the 1990s and the Lujiazui (the financial area of Pudong) to build that

A series of obstacles lie in the way of this objective, as well as a sharpening regional rivalry, From Singapore to Sydney, governments are seeking a greater slice of markets and financial institutions. The crises racking the region have not diminished their ambitions, but prompted instead a burst of deregulation.

Shanghai's history counts for little in this contest. And it faces obvious handicaps, not least the non-convertibility of the Chinese currency. But the pace of development of the pest five years has been striking, and momentum is building. "You will still find a long list of restrictions for foreign institutions," says a senior executive at one of Hong Kong's biggest bank. "What you won't find are many bankers Who will bet against Shanghat." Such sentiment is supported by the growth of The total assets of Shanghai's financial institutions now exceed RMB1 trillion. Between 1990 and the end of last year the volume of deposits rose seven-fold to RMB620bn while loans of China Pacific Insurance. totalled RMB42000.

ei's A-share market international institut reserved for local investors, has risen to RMB1,072bn while the B-share market stands at RMB17.9bn, Shen-Guangdong province, is anapping at Shanghai's heels but lacks the critical mess of industry and banking. Foreigners have their foot strategy dictates a gradual



ndiose taçades of Shanghai's

in the door. Since the city launched liberalisation policies in the early 1990s it has licensed 52 foreign financial institutions from 17 countries. More than 160 foreign institutions have representative offices, far higher than in any other Chinese city.

Foreign hanks hold assets worth \$17.6bn and last year nine were permitted to launch local currency business. Others are set to follow. The insurance sector has also been opened, with AIG of the US quickly capturing 5 per cent of a life assurance market which has grown to about RMB6bn in terms of premiums.

More important is the shift in attitude behind these statistics. "In the 1980s Shanghai was phenomenally bureaucratic and it had the reputation of one of the hardest places to do business in Asia," says William Hanbury Tenison, chief representative of Jardine Fleming Securities in Shanghal. "Now it is one of the most open cities for business."

While liberalisation, has occasionally ruffled feathers - for instance, the speed with which AlG secured a big share of the insurance institutions and markets. market - the process seems set to continue. "If foreign companies enter the market we will learn from their technology and methods," says Zhu Qing, general man-ager of the Shanghai branch

"We want to see more and The capitalisation of Shan- more multinationals and establishing in Shanghai," says Mr Mao of the PBOC. "Foreign financial institutions have been an imporzhen, its rival in southern tant force in the development of Shanehai's financial system."

If the direction is set however, Shanghai's step-by-step

pace. Liberalisation could in the wake of the turmoil sweeping the region's financial markets. Given that upheaval, a conservative stance may appear prudent, but will do little to close the

gap on regional rivals.
Officials admit that, despite rapid development of the financial markets, there is a long way to go. "The gap between Shanghai's standards and international standards is still very wide," says Wu Kiuyi, vice-chairman of the development research centre at the city's municipal government.

to bolster Shanghai's standing. Apart from moves towards liberalisation. authorities are strengthening regulation and market structures. Under a recent restructuring, for instance. the China Securities Regulatory Commission will take sole responsibility for regulation. In the past the CSRC was responsible for market regulation and the PBOC for

M. Will.

appointing top officials. Mutual funds have been launched as part of moves to develop institutional investment. The A and B share markets are under review with a view to legitimising some mainland Chinese participation in the market for foreigners. Local securities companies are being pressed to consolidate.

Such reforms will improve the efficiency of Shanghai's markets. Much will also regional economies. But per haps most important in maintaining the city's momentum as an emerging financial centre is that the direction of deregulation is upheld. As Mr Mao puts it: "Financial centres are formed by markets, not by

INFRASTRUCTURE • by James Harding

The city of cyclists and colonial architecture now has an opera house, a museum and Pudong, one of the world's largest urban develop

Getting a crowded city moving

As traffic jams decrease a new bottleneck is developing in telephone use

Mrs Liu, a retired factory worker, sits in her new apartment beneath the flight path into Shanghai's Hongqiao Airport and shrugs. "I've grown quite accustomed to the noise." she says. A little discomfort has been the price of development for more than 1m of Shanghai's residents, who have been relocated from downtown homes to new apartments in the suburbs as the government has cial projects and buildozed suggested that if anybody

old housing areas to make way for a network of elevated expressways, underground system as well as tunnels, bridges and telecommunications lines.

Upgrading the city's infrastructure, has been an imperative for Shanghai in the 1990s. Bottlenecks in the largely single-lane network meant that, as road traffic multiplied, gridlock set in and a trip across town could easily turn into a two-hour Journey. Zhou Yupeng, Shanghai's

vice-mayor, remembers the aggravation in the city five years ago: "We saw traffic jams all over the place and each one could easily last well over one hour. "One newspaper even could solve this critical take less than half an hour issue, the city should erect a to get across town and, statue in their honour." In an effort to deal with

the problem, municipal spending on transport infrastructure rose from RMB716m in 1990 to RMB14.7bn in 1996, Still. the growth in spending still lags behind the exponential growth in road traffic and passenger traffic, as measured in person-kilometres. which has multiplied tenfold

in the past 20 years. Today Mr Zhou believes the traffic problem has been "basically solved". The government's ambitious infrastructure programme has created a system of internal flyovers and an extensive ringroad network to ease congestion. Today, it can

although traffic jams are airport which will require frequent, they are not an investment of UMB12hn and inevitable feature of travelshould have the canacity for 20m passengers a year. It is ling by car. More projects being built in Pudong. are now getting under way. In the process the con-

Meanwhile, the city's information networks are struggling to keep up with demand. The number of mobile phone users is set to grow by 400,000 this year reaching more than 1.1m by the end of 1998.

Similarly, standard telephone users will grow by 550,000 to 4.3m this year, making 12.6bn phone calls, 17 per cent up on 1997. And, with internet use growing at an estimated 120 per cent a running 13.6km from the year, the new bottlenecks are emerging in telecommu-

PROPERTY . by John Ridding

Developers start to feel the pain expansion of existing

A soaring supply of space has weakened the foundations of the market

"If you build it, they will come," was the message from the sky in the film "Field of Dreams". But for Shanghai's Pudong busines district - one of the world's biggest developments there seems no guarantee that they will.

"The building boom that was very much in evidence in 1997 is giving way to a rash of completed but vacant buildings," says Morgan Stanley, the US investment bank. "Most are conspicuously lacking in human activity - a ghost city of concrete and glass."

This spells pain for the diose buildings of Pudong and Shanghai's other commercial districts. But it is a heavier blow still to Shanghai's pride and its ambition to establish an international financial centre, hinged partly on Pudong's success.

Handling the fall-out will test China's commitment to market-based strategies. while the collapsing economies of south-east Asia demonstrate the dangers of bursting property bubbles. Most believe Shanghai will escape such a fate and that Pudong will secure its position as one of the region's

top business centres. But they also foresee a rough ride over the next few years. This much is clear from the figures. The 500,000 sq m of office space at the end of 1994 has climbed to about 3.5m sq m now, with another lm expected by 2001. are unheard of in the west," Davies in Shanghal. Rents have borne the

brunt of the glut, more than halving since the peak in 1994/95. Sales prices have fallen less, but largely because developers are reluctant to sell into a moribund market. Nor is there sign of respite. "Prices weakened significantly last year and we expect price wars to ensure," says Crédit Lyon-

hais Securities Asia. This is bound to lead to casualties. Some developers have scaled back their projects. Thailand's CP group has more than halved the size of a planned shopping mall and Daewoo is among Korean groups seeking to delay their investment.

The sheer scale of supply and the backdrop of Asia's property woes should set alarm bells ringing. But Shanghai's real estate sector is not a uniform picture of gloom. "The higher quality buildings and the main locations are holding up much better." says Mr Fulton.

Other property analysts note some relief for developers in the market for middlemarket residential schemes. "They are going like hot cakes," says Edward Cheung, general manager at C.Y. Leung & Co, referring to a couple of recent schemes aimed at Shanghai's emerging middle class.

Pudong also offers several causes for encouragement Jiang Jian Qing, presdient of largest bank, cites the dynamism of Shanghai and the fact that much of the money behind the real estate boom came from foreign investors. The continued arrival of

multinationals and the

operations contrasts with says Guy Fulton, general the region. Kodak's manager of First Pacific announcement of an investment plan was the latest confirmation that many multinationals view Shanghai as the best base in China, and possibly for the region.

While exact figures are scarce, foreign developers. notably the big Hong Kong companies, have been ambitiously expanding. These companies tend to have robust balance sheets, and can endure a period of low rents and opportunity costs without being forced into a

fire sale. in Pudong, many developments are funded by state institutions such as Moftec, the ministry of foreign trade and co-operation and economic co-operation. Several big banks, such as ICBC, are also shifting their headquarters to a new building they own in the district. Foreign banks seeking to conduct local currency business are required to take at least 1,000 sq m of space.

These measures provide support in the short term. But more important considerations are Shanghai's commitment to the district and the infrastructure being put in place. A new airport is due to open in 2000, while a second underground rail line, connecting Pudong to the network, is to be launched next year.

Many believe Shanghai's bold bet will pay off. "Pudong will in 10 years be the pre-eminent financial centre in China," says Mor-ICBC in Shanghai, the city's gan Stanley. "In 20 years it could possibly rival Tokyo as the region's premier finan-cial centre. "But in the meantime. China's developers are learning the lesson of the cyclicality of property

CENTRAL GOVERNMENT • by James Kynge Not such capital relations

The long-held rivalry between Beijing and Shanghai remains intense

Popular Chinese stereotype paints Shanghainese as clever, with a capacity to centre remains compromised master detail and a delight in outsmarting their slower

compatriots in Beiling. The rivalry existing for most of this century between Betting and Shanghai finds several forms of expression. As well as the popular prejudices. frustration derives from a central tension: that while politics in China is linked to business, Shanghai

will under-achieve. The late Deng Xiaoping. architect of China's free market reforms hinted at Shanghai are clever and one day be Asia's financial

than it is now."

Since then Shanghai has been awarded a special economic zone in the Pudong area, but some analysts believe the city's development as China's financial by a lack of operational autonomy from Beijing.

An umbrella law safeguarding the industry's interests has been stalled in Beijing's legislative process for years. It may be passed this year but meanwhile, the stock market remains beholden to flats emanating

from the capital. With the head offices of both the China Securities interests of financial mar-Regulatory Commission, the top securities watchdog, and People's Bank of China, the Shanghai's disadvantaged central bank, in Beijing, offitates that capital should

1991. "If we had made the ing direction from an outside city a special economic zone source. This would not necessarily be a burden in a country where the rule of law is absolute but in China, where the Communist Party's power is paramount, such a relationship could hamper the development of transparent capital markets.

"Beijing has responsibility over Shanghai, especially with reference to the banking system and market liberalisation, but in some areas, there should be more say in local government," says Wu Xiuyi, vice-chairman of the Development Research Centre of the Shanghal Municipal Government

The aims of China's policymakers can conflict with the kets in Shanghai and Shenzhen, in the south. While the free market principle dictreatment. "The people of cials overseeing what may gravitate toward companies most deserving of it, provinaccomplished," he said in centre are constantly seek- cial authorities are encour-

aged to allocate their strict listing quotas to state-owned enterprises needing capital infusions to reform but that are not necessarily efficient. This means private firms.

struction of a new infra-

structure skeleton has

recast the shape and logic of

the city. Most significantly,

the projects have been

designed to integrate Puxi.

the old heart of Shanghai on

the west bank of the city's

Huangpu River, with

Pudong, the east bank of the

river that is being developed

into a modern business hub.

For example, a second

subway line is being built

centre of downtown Shang-

hai right through Pudong.

which from a market viewpoint may be more deserving, are often denied the chance to list. "Within three years, state-owned enterprises have to throw off their current dilemma and the securities markets have to serve this policy," says Chen Yaoxian, vice-chairman of the CSRC in Beijing.

But the time spent serving macro-economic imperatives may be time lost to regional competitors that also hanker to be Asia's financial hub. "Cities such as Singapore and Hong Kong are trying to speed up their liberalisation and this creates a new challenge for us," says Mao Yingliang, president of the People's Bank of China.

a key customer and regulator of knowledge-based busises – is vital An intellectual axis now exists between Beijing government think-tanks, the famous Peking and Qinghua universities and a "silicon valley" area known as Zhongguancun, where many

foreign computer companies

have invested in research

terms of industries such as

computers, software, inter-

net design. Beijing is China's

undisputed lodestar. Anec-

dotal evidence suggests that

close links to government -

But foreigners have not ignored Shanghai, partly because of the city's strong telecoms sector. "Computer companies have representative offices here and, what is more significant, they are establishing R&D centres in Shanghai," says Zhu Xiaoming, chairman of Shanghai in other areas, Shanghai Foreign Economic Relations may be seen as losing out. In and Trade Commission.

Vacancy rates have soared.

SHANGHAI 3

Arriving in a trickle

Foreign banks have plenty of strings attached and little scope for operations

China "has been very good at using foreign banks as a prod for the Chinese banks", says Chris Tibbs, head of corporate finance at Citibank in Shanghai, observing cash-dispensing machines have appeared across the city since Citibank was allowed to install one on the waterfront.

'We wanted it fon the Bund | to test communication systems," he explains. "The PBOC [People's Bank of China, the central bank] wanted it in here to run round to the Chinese banks and say, 'Look out, here they come!

So far, though, foreign financial institutions have trickled rather than flooded into Shanghai, China's testing ground for financial lib- worth \$110m, according to a tions have been an imporeralisation. And their capacity to act as a catalyst for all, the central bank calcu- ment of Shanghai's financial the reform of China's lates that foreign banks in system, bringing capital bloated domestic banks and insurance companies belps \$17.6bn, but because the

that have waited long and lobbied hard to enter the strikingly small. Chinese market are concerned, operating licences have come with plenty of strings attached and little scope to do business.

In the banking sector, nine foreign financial institutions have been admitted to do local currency business. They are Citibank, Hongkong Shanghai Bank, Bank of Tokyo-Mitsubishi, Dai-lehi Kangyo Bank, Industrial Bank of Japan, International Bank of Paris and Shanghai, Sanwa Bank, Standard Chartered Bank and Banque Indosuez. They have all been required to establish branches in Pudong, the city's infant business district. A further 11 banks are expected to get licences to do banking business in renminbi, the Chinese currency.

March the nine licensed banks reported RMB assets Shanghai hold assets worth RMB banks are restricted to

currency loan business is

insurance companies, too, have had to make sacrifices to enter the market. The lobbying process for a licence has tended to be long, costly and political.

Once admitted to the Chinese market, foreign life insurers have generally been required to team up in a partner. With the exception of American International Group, which secured the right to set up wholly owned life and general insurance businesses as early as 1992, foreign insurers have so far seen little reward from the promising insurance market Mao Yingliang, president

of the central bank in Shanghai, suggests that foreign financiers and insurers must be patient. Shanghai will open its markets to foreign But they are entering a competition, but only in line paltry market. By the end of with what domestic institucompetition, but only in line tions can sustain.

"Foreign financial institucentral bank official. Over- tant force in the developexpenditure, expertise and technical know-how," he says. "We want to see more lending primarily from their and more, but we cannot As far as the foreign firms tiny local deposits the local open the market overnight."

Consuming ambitions 1971,92 2462.57 1993 1994 1995 2.12 3.3% Primary Industry 2.3% 35.9% Terday industry 45.4% 73,000 168,000 361,000

THE STOCK MARKET • by James Harding

EMPLOYMENT • by James Harding Hard times for state workers

Despite rising unemployment there is a growing shortage of skilled labour

After 25 years working at the Shanghai No.12 Radio Factory, Chen Xiuying has Beijing. been laid off. "There simply people to do," she says, explaining the rounds of blood-letting that have continued at the large stateowned enterprise. "The company had not been able to keep up with the changes in society. There had to be lay-

Mrs Chen is not alone. Between 1992 and 1996. roughly 1.3m people were made redundant in Shanghai, sent bome from their former employers with the standard subsistence package for laid-off workers of

about RMB189-225 a month. exacerbated by a slowing shocks of the Asian economic crisis, are likely to add to the strains on Shangbai's outdated state enterprises and swell the ranks of the unemployed.

RETAILING • by James Harding

ingly, is sanguine. Shanghai's statisticians conveniently calculate the city's

xiagang, those who have "stepped down from their posts" - are included, the Even that may underesti-

mate the number of people not working. Underemployment is endemic. Many of the unemployed, particularly the women who have borne the brunt of the restructuring, do not register. The real rate of uneuployment may well be more than 15 per cent of the

Such a mass of unemmore complex. For some, government welfare, while her old salary. many others have fallen into the range of new occupa- been lucky."

The official assessment of tions and informal jobs that the problem, not surpris- are cropping up in a rapidly changing economy.

For now, unemployment has not prompted waves of lating exchange would unemployment rate at 2.8 anti-government protest – require the development of a per cent, comfortably below in fact, public dissent has the national ceiling on been small-scale and spovices industry and foster a unemployment set by the radic - but rather eroded macroeconomic planners in the state's anthority as the accountants, lawyers and city's When the lay-offs from the employer. About 68 per cent state-owned enterprises, but

that number is falling fast. The irony is that at the top end of the employment spectrum there are not enough qualified workers. Competition for high-skilled employees is fierce and salaries have been rising by more than 10 per cent per year in white collar industries. But such jobs are still rare and too often unsuited to the people coming out of half a lifetime's employment

in the state sector. Mrs Chen, at least, has ployed and the widening profited from redundancy. In the coming years the income gap might spell rum. She took a job doing rigours of a freer market, bling social discontent in door-to-door sales of Ger-Shanghai. But so far the man vacuum cleaners and economy and the after- repercussions have been has discovered a natural talent. in a really good month, redundancy has meant hard- she can earn RMB10,000, ship and a new reliance on she says, more than 10 times

But she admits: "I have

First steps on the ladder

The exchange has come a long way but there is still much to do

Shanghai's hopes of

becoming a world-class financial centre rest, in large part, on its stock market. A transparent, liquid, self-reguvices industry and foster a currency and reserved exclu- Shanghai say the quality of the merger of the A and B new generation of brokers, sively for mainland Chinese companies listed on the B markets. When the renminbi predominant fund managers. Thus the 1997 and further since. Chi- that the foreign investor longer-term proposition rights are barely understood, opacity, illiquidity and state the infant bourse say much about how far Shanghai has

to go.

capital raising for China's state-owned enterprises and a tentative step towards diversification of ownership, Shanghai's foreign currency and domestic bourses have grown into a combined market worth about \$135bn.

As Asian markets crumpled last year, Chinese bourses more than weath- cent of the RMB1,112bn A ered the storm. Shanghai's A share market and about the share index, which tracks same size as Sri Lanka's shares denominated in local last year.

For foreign investors stock market. The exchange

investors are large and liq- flat-footed uid, while the B share market, where stocks are sold in US dollars and reserved, in investors need an improvetheory, for foreign investors, ment in the quality of comis small and stolid. The B share capitalisation is RMB16bn, less than 2 per

markets are segregated: the

stock exchange. Brokers in

developed quickly. Born in China's restrictions on for-bordering Rong Kong, has from the days of 'socialist 1990 as an experiment in eign exchange, Shanghai's proved more flexible in winning new issues in the past A share markets for local few years than the Shanghai exchange.

panies listing on the B share markets to make investing worth while, But, for Shanghai to sustain the interest of global investors, the markets need structural changes. Liquidity will come with

Shanghai is not the only regation will evaporate.

eign exchange, Shanghai's proved more flexible in win- accounting and institutional investment is in its infancy. with the launch of the first. mutual funds this year. The role of government

will be critical. In the past year, Beijing has feted the stock markets in theory, more than practice. China's fund economic transition. while preventing any instability that could come from a volatile market.

A securities law, has been investors, rose 32 per cent in market reinforces the sense becomes fully convertible (a but not passed. Shareholder na's A share markets were bourse is, to put it mildly, since the Asian currency cri- much less enforced. And the markets was squashed by Transparency may take the authorities after an though, it has been a differ- in Shenzhen, the capitalist longer - corporate culture in embarrassing bond trading ent story. As a function of crucible in southern China is only just emerging scandal in Shanghai in 1995.

ENVIRONMENT • by James Harding

Something in the air...

Rapid growth has brought its own problems in the shape of pollution

In the 1990s, the only thing that has made a more striking dent on Shanghai's skyline than the scores of shiny new office blocks has been the pall of industrial pollution that hangs over the city. Palpable damage to the local environment has accompanied the rapid economic

The number of cars in Shanghai has almost dou-

520,000 vehicles in 1997, pollution are disturbing. The adding to the city's fleet of amount of lead in the bloodhalf a million mopeds. The stream of Shanghainese chil- 0.229mg per cu m and sul- trial effluent - in a city air quality has inevitably dren averages 80 per cent suffered.

vehicles comply with Chi- ing to a recent study by the na's own emission stanbon monoxide exhaust is Industrial waste gas emissions are up 34.5 per cent from 1990 and widespread use of coal in Shanghai's houses has heaped smoke and dust as well as indus-

trial dust on Shanghai's substantial sulphur dioxide out-The implications of the

higher than that considered The government calculates safe for normal mental that only 70 per cent of health development, accord-World Bank. The levels of

> double and five times as high as World Health Organsation guidelines. But the city's environment protection bureau says the air and water quality. although well below accept-

> able standards, is improving. They may be right.

Total suspended particu-

phur dioxide emissions, hav- where the thoroughness of ing grown in the early 1990s, treatment varies considerawere held in check at bly - rose 13.8 per cent to 0.032mg per cu m in 1996. 1.42bn tonnes. The government has limited per cent in the second half of tection.

in 1996 were measured at ing said that, treated indus-

Shanghai has set the the use of mopeds and intro- clean-up operation of the dards, calculating that car- total suspended particles duced lead-free petrol. The Suzhou Creek, the repository and sulphur dioxide in municipal authorities have of most of the city's effluent well above acceptable levels. urban China are between also pledged to raise envi- and arguably one of the ronmental spending from 2.2 filthiest rivers in the world, per cent of GDP in the first as a measure of its commitfive years of the 1990s to 3 ment to environmental pro-

> It is again a measure of The latest figures on waste the ambitions that the water discharge, for example, show industrial effluent to clean up Suzhou Creek, released in 1996 was 1.14bn they want to turn it into tonnes, 1.8 per cent lower Shanghai's Rive Gauche'

VICE • by James Harding

Even in the new

nightclubs people

are more likely to

be drinking Coke

than taking drugs

"The tired or lustful

business man will find here

everything to gratify his desires. You can buy an elec-

tric razor, or a French din-

ner or well-cut suit...You

can attend race-meetings,

baseball games, football

matches. You can see the

latest American films. If you

want girls, or boys, you can

have them, at all prices, in

the bathhouses and the

brothels. If you want opium,

you can smoke it in the best

company, served on a tray,

like afternoon tea. Good

wine is difficult to obtain in

this climate, but there is

enough whisky and gin to

float a fleet of battle-

ships...Finally, if you ever

repent, there are churches

and chapels of all denomina-

Shanghai, as seen by W.H.

Anden and Christopher Ish-

tired or tustful businessman

Bitten by the consumer culture

Shoppers want the latest items the minute they have appeared in New York

To many Chinese, Shanghai is synonymous with shop-

Before the Communist takeover of China in 1949, Shanghai's boutiques and department stores sought to rival the shops of London, a microwave oven in the Paris and New York.

Even in the monochrome days of the Mao economy. through the centre of the city was China's most bustling high street. And, in the tion has instered a breathless consumer revival.

While average annual incomes have doubled, retail sales have almost tripled. The sales of consumer goods in 1992 to RMB132.5bn last

A telling indication of the consumer revolution is the high quality. rising cost of advertising. A 30-second slot on prime time TV in Shanghai cost \$2,340 in 1993, but by last year that tion of enthusiastic Shang. Shanghai almost as soon as credit card users.

Probably not a television set - they already have one. The government calculates that there are now more than 113 colour TV sets to 100 Shanghai households. The black-and-white televi-

sion, which is still common

in the countryside, is a thing

of the past in Shanghai a compact disc player, a video compact disc player or next five years.

More and more people want to have a personal the Nanjing Road that runs computer at home. While just 1 per cent of rural Chinese told a Gallup survey last year that they wanted to 1990s, economic liberalisa- buy a computer in the next two years, roughly 21 per aim to get a PC.

with levels of consumption. food industry. Market research shows have risen from RMB-6.4bn Shanghai's shoppers are are moving more slowly. For keenly price sensitive, brand conscious and demanding

Foreign companies are than 10 per cent a year.

Even how people pay has increasingly advised against bringing old models from western markets to sell to of Shanghainese carry plasfigure had more than doubled to nearly \$5,000. But to expect the latest innova- transition of China's cashbled to nearly \$5,000, put to expect an only economy to a market of brony is that a city once syntions to be on the shelves in only economy to a market of brony is that a city once synlilegal and the authorities return.

hai consumers want to buy? they reach the stores in New York. Like television sets, refrig-

erators have become standard fixtures in Shanghai homes. There were just 92 fridges to 100 households five years ago, but last year there were 101. The capacity to keep goods

cool and fresh in the home is Roughly one in five Shan-changing eating habits too, ghainese homes plans to buy Food still accounts for the vast bulk of Shanghainese spending, but what they buy Milk, for example, is com-

mon in Shanghai homes - 71 per cent according to Gallup but rare in rural households (8 per cent). Also, instant coffee is a regular item in a Shanchai kitchen (51 per cent), but hard to find in the countryside (1 per cent of Shanghai residents cent). Faster lifestyles are also fostering the pre-packed Standards, too, are rising foods business and the snack

Big ticket items, though, increasingly discerning, example, the number of motor vehicles in the city has grown more slowly than the economy - rising at less

changed. Roughly a quarter

arguably, the most prudish and prurient metropolis in the world.

and, after the revolution, China's communists all but extinguished the party SPITIT.

Magism made prostingion illegal and put an end to China's opium habit. It enshrined principles of peasant frugality, replaced a rich tradition of crotics with a prim and functional sexnal code and sacrificed the the individual for the greater joys of national

With prosperity, though, hedonism is making a modest comeback. Still, by the standards of the lurid fleshpots of Asia or the capitals of Europe and North America, vice is a cottage industry in Shanghai. Brothels are discreet, whores are coy. drogs are a rarity, drinkers tend to stick to beer and gambling, though endemic.

erwood in 1934, is the stuff is all in small change. There are no official meaoff nostalgia. Today the sures of depravity in Shangmay find such gratification bai today. Prostitution, harder to come by. The onymous with the most do not want to draw atten-

industries of indulgence by publicising offenders.

Modest comeback for hedonism

Instead, the government's The second world war goal is to create "spiritual punctured its exuberance civilisation" - a "moral" society. Rather than back alleys crowded with neon-lit strip joints and adult bookshops, the lanes of downtown Shanghai are littered with government hoardings that instruct the people to follow the "Seven Nos". They include "No foul lan-

guage", "No spitting" and "No jay-walking". (Judging by behaviour, they are not taken that seriously.) Nevertheless, the oldest

profession was never fully suffocated in Shanghai and with the return of greater commercial freedom and the "lustful" businessman, prostitution is back from the verge of extinction. Behind what look like karaoke bars, massage parlours and barber shops, sexual services are on offer.

And, beyond the city limits - where provincial authorities have not made efforts to crack down on prostitution in the way Shanghai's puritan police force has done - the indusdrugs and gambling are all try is making a furtive

All the same, it is a far

degenerate behaviour is, tion to a remaissance in the cry from the 1920s and House and where it has 1930s, when the number of already built municipal govprostitutes in Shanghai was erument offices and a huge estimated at roughly museum. 100,000. What was once a flourishing drugs trade has

also vanished. All that remains of the opium business are the old beds on which users smoked and idled away the hours. In the rash of new nightacross Shanghai in the 1990s, the atmosphere is

only a step up from that of a holiday camp disco. In these clubs more people are drinking Coca-Cola than doing designer drugs.

True, cases have been brought to light of Ecstasy use in Shanghai (the Chinese authorities call it the cases in China hard to "head-rocking drug" because users often dance frenetically). But, in a city where 3m people are tution, drug-dealing and between the ages of 15 and 35, the absence of drugs is more striking than the occapional arrests.

Gambling, too, was once literally at the heart of the city, but the space it once occupied is now used for worthier things. The Shangthe land on which the gov-

Of course, betting between

individuals, over games of Mah Jong, poker or televised sport, continues. On the outskirts of the city are racetracks, and a horseraclet loose as soon as the govclubs that have sprung up ernment relaxes the restrictions on betting. But, for the time being, the only casino in town is the stock market. Perhaps Shanghai is a city are to address the problems of prostitution and drug-taking make the official estimates of a relatively small number of Aids and HIV

> credit. The denial of vice is also in danger of making prostipeddling pornography a lucrative business and one might speculate that the city that once fostered Du Yuesheng and the notorious Green Gang could spawn a

class of gangsters again. Today, though, the most violent and steamy trans. hai racecourse used to sit on eressions in Shanehai are to be found in the history ernment is finishing con- books and in the literature struction of a Grand Opera of Auden and Isherwood.

Treasuries lead Europe higher

GOVERNMENT BONDS By Jeremy Grant in London and John Labate in New York

European bond markets started the week higher in sympathy with gains in US Treasuries, but there was little else to stir them ahead of today's meeting of the Federal open market comlikely direction for US inter-

The consensus is that the FOMC will leave rates unchanged at a time when the market remains troubled by persistent political prob-

However, markets are committee's notes on Thurs- firmal. day for any sign of a shift The communique issued

"cautiously positive" for bonds, according to Jeremy Hawkins, chief economist at Bank of America.

At its Birmingham meeting, the group pledged to maintain strong growth while resisting inflationary "The wording suggests

that the UK, US and Canada are going to be alert to potential inflation problems. But the broader picture suggest that most countries are happy with the current stance on policy," Mr Hawk-

JAPANESE government bond yields fell to a record low - 1.255 per cent in Lonlooking to the release of the don - as bond futures

US TREASURIES rallied as overseas issues overcame any fears that the FOMC will by the G8 group of nations raise interest rates. By early

at the weekend was taken as afternoon the benchmark 10-year bond yield spread 30-year bond had climbed 1/2 to 102%, sending the yield lower to 5.938 per cent.

At the shorter end, the two-year note rose 🛓 to 1001, yielding 5.606 per cent, while the 10-year note gained 🖟 to 99g, yielding 5.654 per cent.

"I think the dollar is the driving force," said Patrick Dimick of UBS Securities. "There's very little liquidity. and the market's in wait and see mode." The spread over GERMAN

BUNDS was seen "continuing to outperform" in the near-term if US rates remain on hold and the Bundesbank is tempted to raise rates towards the end of the second quarter, according to David Brown, chief European economist at Bear Stearns.

\$7bn and \$8bn in outstand-

III US DOLLARS

STEPLING

New international bond issues

were stuck in a quarter-point

activity expectations in today's release of the IFO s sentiment survey. UK GILTS started weaker but later bounced back, in line with sterling, to outper form bunds. The spread over

bunds continued to widen, finishing at 105 basis points The June 10-year future settled at 107.67 in modest volume of 76,000 contracts The market was looking to

today's release of April retail price data and the govern-ment's public sector debt needs for the financial year, reflected in public sector borrowing requirement data. Analysts expect the price

range in meagre volume, awaiting the FOMC meeting. data to show a sharp rise, up The June bund future settled about 1 per cent on the at 106.82, up 0.11 basis Analysts said bunds would keep a weather eye out for cent, ahead of the govern-

month to give a headline rate of 4 per cent and an underlying rate of 2.8 per signs of rising economic ment's 2.5 per cent target.

Endesa launches public

Endesa, the Spanish power group, yesterday launched the registration period for its record-breaking Ptal,164bn (\$7.7bn) privatisation.

Manuel Pizarro, deputy chairman of Madrid's stock exchange, said the public offer would consolidate Spain as a shareholder.

The sale, at current market prices, is double the size of an offering of Endesa shares last October, which itself set a benchmark for Spain's capital markets.

It also completes the centre-right government's 15-month privatisation drive, which has included the sale of Telefonica, the telecoms operator; Repsol, the energy conglomerate; Argentaria, the banking group; and Tabacalera, the tobacco

distributor. The previous Endess offer raised the power group's shareholder base from 200,000 to Lem, and the latest sale is expected to increase its number of sharebolders to well over 2m.

The sale of 33 per cent of the electricity generator and distributor owned by Sepi, a government agency, will be completed on June 8. A further 8.2 per cent of Sepiheld stock will subsequently be bought back by the

utility. At least 70 per cent of the initial offer of 306.5m shares is weighted towards small savers, who will receive a 8 per cent discount as well as a 3 per cent cash bonus in six months.

Sepi has appointed Argentaria, Banco Santander, NEWS DIGEST

MEDIA

Pearson signs up facility to finance US acquisition

Pearson, the UK media group which owns the Financial Times, has signed up \$6bn of bank facilities to finance its acquisition of Simon & Schuster, the US publisher, and referance outstanding syndicated loans. It is the latest in a line of substantial acquisitions to be financed through the syndicated loan market, following Texas Utilities' recent \$11bn loan to fund its purchase of The Energy Group and jumbo loans from imperial Chemical industries and BAT industries.

The new financing package has been put together by Goldman Sachs and HSBC and includes a \$2.5bn five-year term ... loan, a \$2bn five-year revolving credit and a \$1.5bn 364-day loan. Investors expect the loans to be tradeable. This has become commonplace in the US but was only introduced to ... the eurologn market lest year with the \$8.5bn loan to ICI to-finance its acquisition of Unilever's speciality chemicals

There has been considerable reluctance by European corporates to have bankers trading out of loans. The quid pro quo, in theory, is more attractive financing. Details of the terms of the loan were not available yesterday. A broader underwriting group will be put together in the next 10 days.

Peerson's credit rating from Standard & Poor's, the rating agency, has been put on negative outlook as a result of the acquisition, but its shares rose sharply yesterday.

EMERGING MARKETS

Trading falls in first quarter

A sharp fall in the volume of trading in Latin American bonds led to a small decline of overall trading in emerging market debt in the first quarter, according to a report by the Emerging Markets Traders Association, International traders turned their focus away from Latin America and from restructured Brady bonds in general in the first three months of 1998 to focus on the smaller but growing debt merkets of Asia and Russia, said EMTA.

Although Latin America accounted for almost 70 per cent of turnover, this was sharply down from its 84 per cent share in the first quarter of 1997. Overall volume was also depressed by the narrow tracing range of emerging market debt in the itermath of the worst of the Asia crisis in late 1997.

INDONESIA

S&P cuts rating again

Standard & Poor's again cut indonesia's credit rating yesterday citing the country's rapidly deteriorating political situation. The rating, which was out to CCC+ from B minus, remains on

Eksportfinans breaks torpor

INTERNATIONAL BONDS

Eksportfinans, the privatesector Norwegian export simed mainly at capturing finance group, brought its biggest dollar issue to the market yesterday, the first of what it expects will be an annual series of benchmark deals to finance a growing

lending business Priced to yield 28 basis points over the comparable US Treasury, the \$500m fiveyear issue was aimed at building an investor base for Eksportfinans among European institutions, as its lending activity swells in response to Norway's strong economy. Previous bond issues have been bought pri- the country's banks and

what the group said was its changing borrowing strategy, and was the first public issue from Eksportfinans

"We have a borrowing requirement of \$3.2bn for 1998, which is more than for previous years, hence the change of strategy. This that quite nicely," said Ebba Lie, vice-president for fund-

the Eksportfinans name better known. This was our first attempt to target European institutions with a public transaction," she added. Eksportfinans, owned by

institutional interest.

ing borrowings, and yester-day's issue brings the total benchmark issue fits into raised so far this year to ing at Eksportfinans. Bankers at Nomura, lead We are looking to make manager, said more than two-thirds of the bond was sold to European buyers,

with 18 per cent going to Japanese investors. There is very little paper on offer at sensible spreads from Nordic issuers, and this

"It is correctly priced and and a holiday later in the there has been some aggressive switching into the deal, but it adds little new to the market because there has been a lot of five-year dollar paper recently," a syndicate member at another bank

noted. Elsewhere, activity was low in one of the quietest days for some weeks. Bankers said that business was likely to be lacklustre

week across much of Europe. However, there were expectations that the European Investment Bank would bring a \$2bn threeyear issue, perhaps as early as today, with Salomon Smith Barney and Goldman Sachs at the helm.

Lithuania has also mandated Credit Suisse First Boston and Dresdner Bank

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Yen at seven year low against dollar

MARKETS REPORT

By Richard Adapta

The yen sagged to its lowest point since September 1991 against the US dollar during trading on foreign exchange markets yesterday,

Analysts interpreted the absence of comments supporting the yen in the Group of Eight heads of government communique at the weekend as a cause to sell the yen. Further turmoil in Indonesia and more bad news on the balance sheets of Japanese banks triggered further selling when the London and New York markets opened.

The yen ended trading in London at Y136.11, its weakest level since September 1991. Against the D-Mark the yen was also weak. It traded above Y76, the D-Mark's strongest for over five years. The dollar's strength against the yen helped ster-

ling recover from a rocky

Guarter

when it dipped to DM2.88 against the German currency. But in later trading sterling bounced back above DM2.90. It ended the day barely changed from its clos-

The Indonesian rupiah remained in trouble after a weekend of violence in Indonesia and reports of fur-ther demonstrations to go ahead later this week. Analysts said liquidity was almost non-existent, with bid-offer spreads moving out to between Rp11,700 and Rp12,800.

The Russian rouble came under speculative attack, as litters surronding emerging markets spread. The central bank and finance ministry made public statements of

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the banking system. David Simmonds, emerg-

ing markets currency analyst at Citibank in London, said that while his institution was "positive" about the new Russian government, "there are some concerns about the Russian banking system, and how much higher interest rates they will pay."

nowhere near over. The yen was sandwiched between the possibility that the Bank of Japan may cut rates today, in an attempt to jump-start the domestic economy, and the Pederal Reserve's monetary committee meeting. The FOMC, in the opinion of a number of economists, may

But Paul Chertkow, chief currency analyst at the Bank of Tokyo-Mitsubishi, points out that if interest rate differentials were all that mattered, "the dollar



would be around Y200 now". Mr Chertkow said there was a chance the Japanese central bank might consider tackle the economy's malaise. If the central bank were to abandon using its disbanks, and adopt a system of money targets or bank reserve targets - as used successfully by

Federal Reserve, in 1979. A resulting easing in liquidity might help boost lending more effectively than simply

was in response to an overheating economy, the very opposite of the problem facing the Japanese authorities. But Mr Chertkow says the net effect is the same: control liquidity, and let the private sector banks sort out

There is a downside to this. There has never been that sort of monetary easing without a currency conse ence," Mr Chertkow said. The US might consider such

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All Futures, Options & Margined Forex

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■ Sterling bounced around yesterday. It started the day the D-Mark, after a Sunday newspaper report that Tony Blair, the UK prime minister, wanted to see sterling join European monetary union at a rate of DM2.63. But the report was aggres

sively denied by the Trea sury. "You only have to look at [the story] to see it is rubbish," a Treasury spokesman said. "There is no substance to it at all.

The denial surged. The stronger dollar dragged the pound up in its wake. Sterling finished the day almost unchanged against the D-Mark, at DM2.9008. But against the dollar the pound was almost

Mr Chertkow said investors may be returning to the pound, because of the lack of alternatives to the dollar.

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Jun	95.368	95 300	+0.005	96,355	96,345	W.918	74.370
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July 1	96.325	96.330	+0.005	95.335	96,320	51671	374444
Sep	96.155	96.160	+0 005	B6.163	96.145	20198	394315
Dec	96.935	95.935	+0.005	95.940	95.930	19652	437213
Mil	15 505	95.795	-	95. 80 5	95.780	11690	368805
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	Open	Sett price	Children	High	Low	Ect. vol	Open int.
Jan .	95.240	95,180	-0.000	95.240	95,170	100	250770
Sep	95.720	95 700	Q10.6-	95 720	95.680	16364	260445
Dec	95,890	95.890	+0.010	95,490	96.870	6133	R = 34
Water	95.790	95.780	-	95.790	95.760	2544	203591
1	EOUTH I	SWISS PRA	HC POTUR	S (JFFE) S	Fr1m points	of 100%	
	Open	Set price	Change	High	LOW	Est. vol	Open Int.
Jun	98,360	98.380	-0.020	96.370	99 390	5020	S 1
Sep	18.160	98.180	-0.020	98.170	96.130	7275	49929
Dec	97.920	97.930	-0.020	97.940	97,900	2177	28626
May	97.790	W/ IMO	-0.010	97.850	97,798	481	11415
O THE	HENNTS BOM		S (LIFFE) Y	100m points	of 100%		
	Open	Sett price	1	High	Low	Est. voi	Open Int.
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	Open	Sett price	Change	Hilgin	LOW	Est. voi	Open int.
Jan .	EA.750	95,730	-	95.760	95.750	751	12540
Sep	95.790	95.790		95.790	5.795	378	17542
Sec	95.890	S. 101	+0.005	95.905	15.050	76	7154
Mar	75.7%	85,788	-0.005	30.775	16.70E	2	5167

	Open	Sett price	Change	Hilipia	ĻDW	Est. voi	Open int.
Jun	EL750	\$ 730	-	95.760	95.750	751	12540
Sep	95.790	95.790	-	95,790	5.796	378	17542
Sec	95.890	6 IN	+0.005	95,905	15.75A)	76	7154
Max	75.7%	15,710	-0.005	3.77	E.718	2	5167
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UK INTEREST RATES

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Questions raised over need for fresh Opec cuts

Pressure is growing on the Organisation of Petroleum Exporting Countries to make fresh crude oil production cuts when oil ministers meet in Vienna on June 24. But to argue that such a move ous close. may be unnecessary.

tion of the Arab Petroleum really won't do. I would Exporting Countries expect that if the price does (OAPEC) demonstrated not look like moving to \$17 growing dissatisfaction with there will be a lot of pres-

as quoted on the International Petroleum Exchange in London has lost some 30 per cent of its price since last November.

Yesterday July Brent was trading at \$14.35 a barrel, 5 cents lower than the previ-

"The mood in Damascus A meeting last week in among the Arab oil produccus of the Organisa- ers was that \$14 a barrel Countries expect that if the price does

such a consensus before," of the Oxford Institute for Energy Studies.

Opec and non-Opec members in March may be starting to bite, and a price recovery could be on the cards for the last quarter of this year. with UBS in London, suggests that of the 11 oil-

producing countries that

the end of 1998, most have only Indonesia in serious analyst, the cuts agreed by zuela and some of the prices". smaller Opec producers.

agreed to reduce output in March, in April produced ast quarter of this year. 26.38m b/d, and in May Geoff Pyne, oil analyst 26.01m b/d, according to UBS data. ' "We estimate that could be a mistake. there is still some 300,000-

projects a global oil surplus said Robert Mabro, director stuck to the agreement, with of 500,000 b/d during the sec- the end of this year. Any ond and third quarters of more cuts will merely add to herry Studies. breach. There have been 1998, "which of course is However, according to one minor leakages from Vene-having a depressing effect on 1998, "which of course is

> But he argues that the Those countries that Riyadh production cuts, if enough to restore the price to \$17 by the end of this year, and that any more cuts

"There is production 400,000 b/d being produced capacity of potentially

sure within Opec to do some agreed to a production cut of above the level agreed at another 400,000 b/d coming thing. I have never seen 1.245m b/d from April 1 until Riyadh," says Mr Pyne. He on the market in Algeria, Venezuela and elsewhere by shut-in production. In the short term it could lead to higher prices, but in the longer term bottling-up this extra capacity will put the

> Mr Pyne argues that global growth in demand for crude oil of almost 2 per cent plus the onset of the northern hemisphere winter

considerable strain."

being in balance" by the end of 1998.

Mr Mahro, author of a newly-published report on the current oil crisis*, also grounds for optimism: "People are slightly surprised that the Riyadh agreement has been this success ful, and that the promised cuts are being slowly imple mented."

*The Oil Price Crisis of 1998; Robert Mabro, Oxford Institute for Energy Studies.

Cocoa prices slip in thin volumes

MARKETS REPORT By Gary Mead and

Hopes by cocoa bulls that the market may be about to lift off were slightly dashed yesterday as the July future on the London International Financial Futures Exchange closed £15 lower at £1,141 a

Thin volumes - just 3.164 lots were traded - helped depress the market, but some specialists said the retreat was just a pause sefore a renewed pash for higher prices.

World coffee production will fall to 90.55m 60kg bags in the 1997-98 production year, from 102.04m bags in 1996-97, according to latest estimates from the analyst

F. O. Licht. This is below anticipated world demand (of 100m-101m bags) and will mean a draw. down of both importer and exporter stocks. However, Licht adds that the decreased production is likely to be counter-balanced

by an expected bumper Brazilian crop. On Liffe the July coffee contract rose \$75 to close at \$1,995, recovering much of the ground lost last Friday. On the London Metal Exchange speculative sales

by investment funds forced down most prices. Nickel was the worst hit. with the three-month price falling to the lowest for 4% years, but tin, aided by

severe supply tightness, was "The funds are hitting nickel and no-one is really willing to take them on, said a trader. Nickel lost S per cent of its value on the LME last week and yesterday the price fell by nearly 3 per cent from Friday's

close, from \$4,977.50 a tonne

China's youth takes a shine to platinum

By Kenneth Gooding, Mining Commputation

China's "apoilt brat" generation, products of the government's insistence that each family has only one child, is proving a boon to

platinum producers. Sales of platinum jewellery in China nearly doubled last year, according to Johnson Matthey, the world's biggest platinum marketing group, as the metal became fashionable among young, wealthy, urban Chine

"These single children are doted on by their parents and grandparents. They are the first Chinese to enjoy prosperity and have plenty of spending power," said Alison Cowley, author of

"These young consumers regard platinum jewellery as elegant and sophisticated in comparison with the simple, heavy gold items bought by their parents' genera-

Manufacturers have encouraged the trend because, unlike gold, platinum supply is not controlled be imported freely. This has

COMMODITIES PRICES

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LONDON METAL EXCHANGE

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AM Official

BASE METALS

enabled jewellers to expand quickly into platinum jewel-

Production of platinum jewellery also jumped by 75 per cent last year in the US. "The recent introduction of platinum jewellery by large retail chains and television shopping networks indicates it is now regarded as a mainstream jewellery metal in America," said Ms Cowley. These trends helped global sales of platinum jewellery advance 9 per cent last year

of a fall in Japan coupled with the Asian crisis. Total platinum demand was up 4.8 per cent to 5.2m ounces, while supply was stable at 4.97m, leaving a shortfall of 230,000 ounces.

to 2.16m troy ounces, in spite

JM forecasts that platinum demand will grow by 2-3 per cent this year and that prices will be volatile and range between US\$370 and \$450 an ounce for the rest of this year. In London yesterday the price was "fixed" at

Johnson Matthey, 40 Hatton Garden, London ECIN SEE,

Precious Metals continued

M COLU COMEX (100 Troy DZ.; Stroy (SZ.)

Argentina seeks mining boost

Problems mar the region's prospects, reports Ken Warn

This was going to be the has been put on indefinite a hoax, sent junior mining breakthrough year for mining in Argentina. With blg projects coming on stream and a strong exploration effort, the industry looked set for rapid development after centuries of

The country is safer than its neighbours - geologists can travel to even the most remote areas without fear of kidnapping - and the potential of the mining sector has

excited big companies. But lower world metals prices, disputes over royalties and the after-effects of the Bre-X scandal have raised question marks over

There had been great hopes for the industry. The \$1.2hn Baio La Alumbrera copper and gold mine, the country's biggest mining project, went into production last year. The \$200m-plus Cerro Vanguardia silver and gold mine in Santa Cruz province, owned by Anglo American and Argentina's Perez Compane conglomerate, is due to begin production this year. feasibility However,

GRAINS AND OIL SEEDS

76.00 -0.25 - - 160 80.00 -0.25 - - 160 80.00 -0.25 - - 668

studies for both projects were conducted with metals prices way above today's levels. Another project, the \$900m El Pachon copper mine in San Luis province

hold until prices recover, Official forecasts of mining exports of almost \$800m this year and \$1.8bn by 2000, against \$30m in 1995, look likely to be disappointed.

Also, a row over royalties between Catamarca province and La Alumbrera's owners, Australia's MIM Holdings and North, and Canada's Rio Algom, has taken the shine off government claims to have created legal and fiscal stability for mining companies through a 1993 mining

Now, many "junior" mining companies, the smaller concerns which push forward exploration, have gone toto world-wide bibernation. Some, after descending on Argentina in 1994-95, have simply packed their bags and left. "Because there is little tradition of mining and a lack of expertise, the authorities just didn't realise that building up a mining

ing funior IAMGOLD. The problems began even before the slide in metals prices last year. Last May's eral mining law, companies Bre-X scandal, in which a small Canadian mining company's claim to have found a the mineral, taking into 200m ounce gold deposit in account processing and Indonesia was unmasked as transport costs.

industry takes time," said

Francisco Azevedo, regional

exploration manager of min-

companies' share prices sliding and dried up exploration Exploration, as well as shifting down several gears.

is moving away from the sive - Andean Cordillera "There was an initial landrush. But now we will see a move to working more selectively, and in areas with better access and less extreme weather conditions," said Walter Lienhard, head of operations at mining junior Minera Andes. Deep-pocketed multina-

tionals are continuing their exploration efforts for both precious and base metals, although even they have made redundancies. Japanese geologists have been exploring 7m hectares in Mendoza, La Rioja and San Juan provinces, but it is still unclear if this effort will produce any viable projects. Against this background,

the Catamarca royalties row is all the more embarrassing for the government, which hopes to resolve the dispute to the satisfaction of mining companies. Under the fedpay a royalty of 3 per cent

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200 +85 2210 2153 127 2.530 1955 +75 1965 1920 1,895 22,732 1977 #80 1880 1845 484 8,133 1825 +80 1827 1796 38 2,477 1775 +80 - - 295 1725 +80 - - 295 1726 20 27465



ca's provincial mining law, those costs cannot be offset, effectively doubling royalty nayments. The province claims its mining law predates the federal regulations.

t is not the only provincial problem facing mining companies. Complaints over delays in processing claims are legion. Ancient pencil drawings of claim areas - when they can be found - are often unreliable.

A World Bank-financed programme which sims to put mineral rights maps and data on computer, and sees some of the administrative problems facing overburdened provincial authorities.

MEAT AND LIVESTOCK

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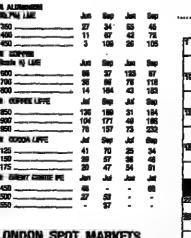
has been welcomed by the industry.

for optimism over Argentina's mining future. It has been much less thoroughly explored than neighbouring countries. "The geological environment is interesting and the operating environment much better than other places in the region," said Stephen Davey, head of

But there are still grounds

exploration at Billiton. The larger companies look like being in for the long haul. But big and small alike are hoping for a significant new discovery. Without a new, big find, the excitement the sector once lived through may soon drain

LONDON TRADED OPTIONS



CROSSWORD

No.9,685 Set by QUARK

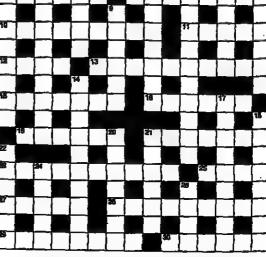


plate-like structure (8)
2 Claim mainly to duck most
of food, is symbolic (9)

11 Copying a high-pitched 3 Man in a whirl (4)

16 Supervise play, being out-19 Sort of acid account to call 21 Hypocrisy directed towards a musical composition (7)

in trouble? (7)

wowned in interval in the according to messages from the underground? (9)

25 Left in charge? Leave hurriedly! (4)

27 To make one tune I put in new arrangement (5)

28 The material for continued wowned in interval in the according to the continued with openings intended, we hear, to support conflict (10)

27 Fraud in the Health Service? (9)

29, 30 Boxing hazard? (8,6)

vice? (9) Re English farce – comic. 20 See 9 22 Untidy one to scrape shoes? About right (6) 24 Book call for transport (5)

6 Boy scout in vocal perfor-

8 Deny agent travelling to

9, 20 A drop of the hard stuff

downed in interval in thea-

warmth? (5)

mance running about play-

Solution to Saturday's prize puzzle on Saturday May 80.

PRECIOUS METALS IN PURSON BUTTON MYSHELL 300.70-300.70

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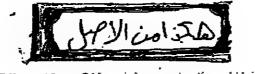
| Description |

294.50 +0.25 297.50 294.00 107 110 302.50 - 306.50 302.00 7.335 90.045 312.25 -0.00 316.50 312.00 1.463 16.251 327.75 -0.25 331.50 327.50 1.545 24.396 147.00 -0.50 344.00 340.50 808 4.976 302.00 - 125 340.00 340.50 808 4.976 240.25 +1.00 242.00 238.25 1,832 1,538 247.00 +0.75 249.50 245.00 18,168149,758 251.51 +0.25 256.00 22.25 1,474 40,182 289.50 +0.25 256.00 266.25 356 11,743 277.20 +0.50 274.00 277.80 83 2,220 278.00 +0.50 274.00 277.80 83 2,220 278.00 274.00 277.80 83 2,220 785E-98 OIL CST (90.0000c cents/8)

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IN PROJECT CARLY AUSS, 24 air day tone Benturs (8298: 18/9/31 = 100) Minor metals from Metal Bulletin European free market, \$ per ib in ware-house unless otherwise stated (last week's in brackets, where changed). Authmony: 98,65%, \$ per torne, 1,470-1,550, Bis-matte min. 99,95%, torne tots 3,85-3,85. Cadmitum: min. 99,95%, cents a pound, 26,00-300. Cobstit MB free market, min. 99,8%, 24,30-25,00 (24,50-25,00): min. 99,3%, 20,90-21,45 (20,80-21,30). Merenty: min. 99,9%, \$ per 76 ib fleet, 133-143. Molybdesum: drummed molyb-May 18 May 15 mouth ago 1627 60 1833.8 1645.0 **II** CBB Fatures (Gase: 1967 = 100) Way 14 month ago 223.79 — **E 65G Spet (885c. 1970 = 100)** sective, 2019-21-145 (2019-21-30), Mag-chrys risk, 99.99%, 5 per 76 to fleek, 133-143. Melybdeaum: churmed melyb-dic code, 3.95-4.10 (2.95-4.15). Selections min 99.5%, 1.55-2.30. Uranticas: Nuesco-urnastrictad exchange value, 9.20. Vana-diams min, 98%, 6.60-5.75

IN WHITE SUGAR LIFTE (50 towns, Symbol) LONDON SPOT MARKETS a contra Gold (per any az)-\$ Silver (per tany az)-\$ Patienan (per lany az.) Patientan (per troy az.) \$299.05 542.00c \$405.00 \$417.00 Copper Lead (US prod.) Tip (Krata Lumpur) Open indexest and Volume talls showe for controls traded on COMEK, NYMEX, CRT, NYCE, CARE, CSCE and RYE Crude Oil are due day in arrears. Volume & Tin (Naw Yorld) Cattle (tire weight) Succes (tire weight) Phys (tire weight) Lon. day steper (rend) Lon. day steper (reta) Burley (Eng. tend) Maize (US NoS Yellow) When (US Cark Harth \$230.00 \$298.00 Unq £109.00 Unq 48.00p Coconut (iii (*hit)§ Palm (iii (Mater)§ Copra (Pali)§ Soyabeans (US) Coline (IndicottA' Index Woodsaps (ISA Super)



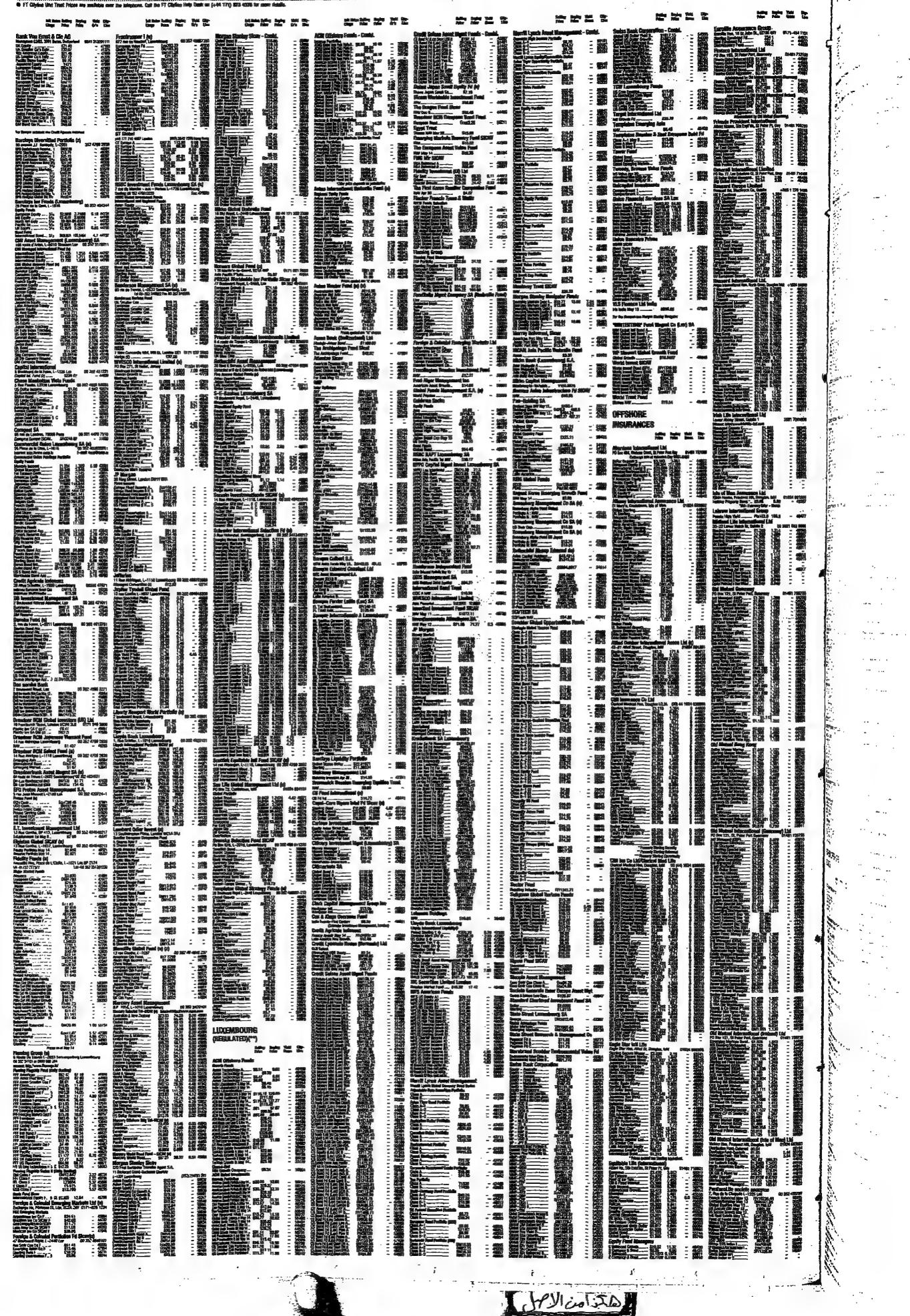
FT MANAGED FUNDS SERVICE Offshore Funds OVERSEAS

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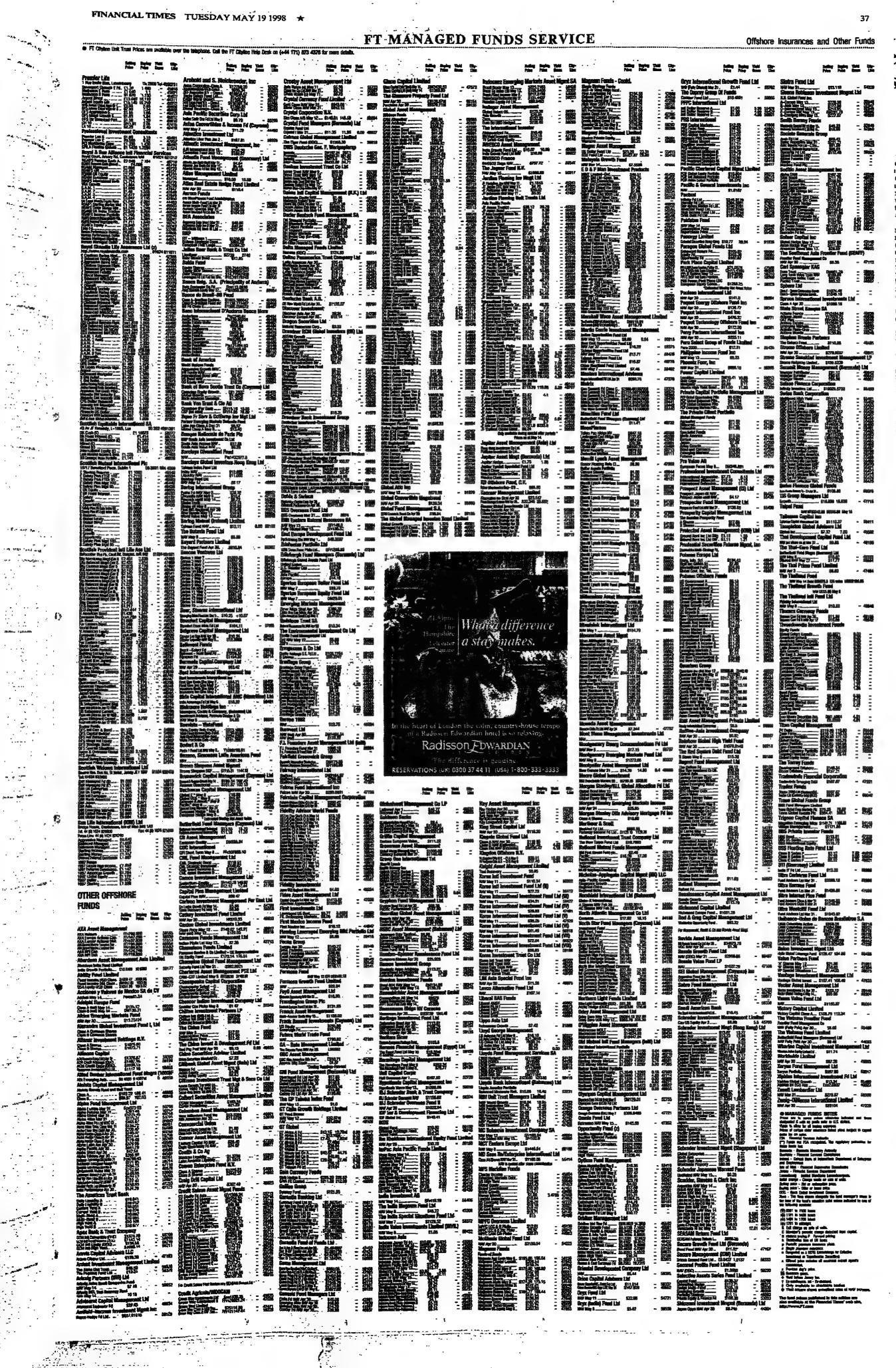
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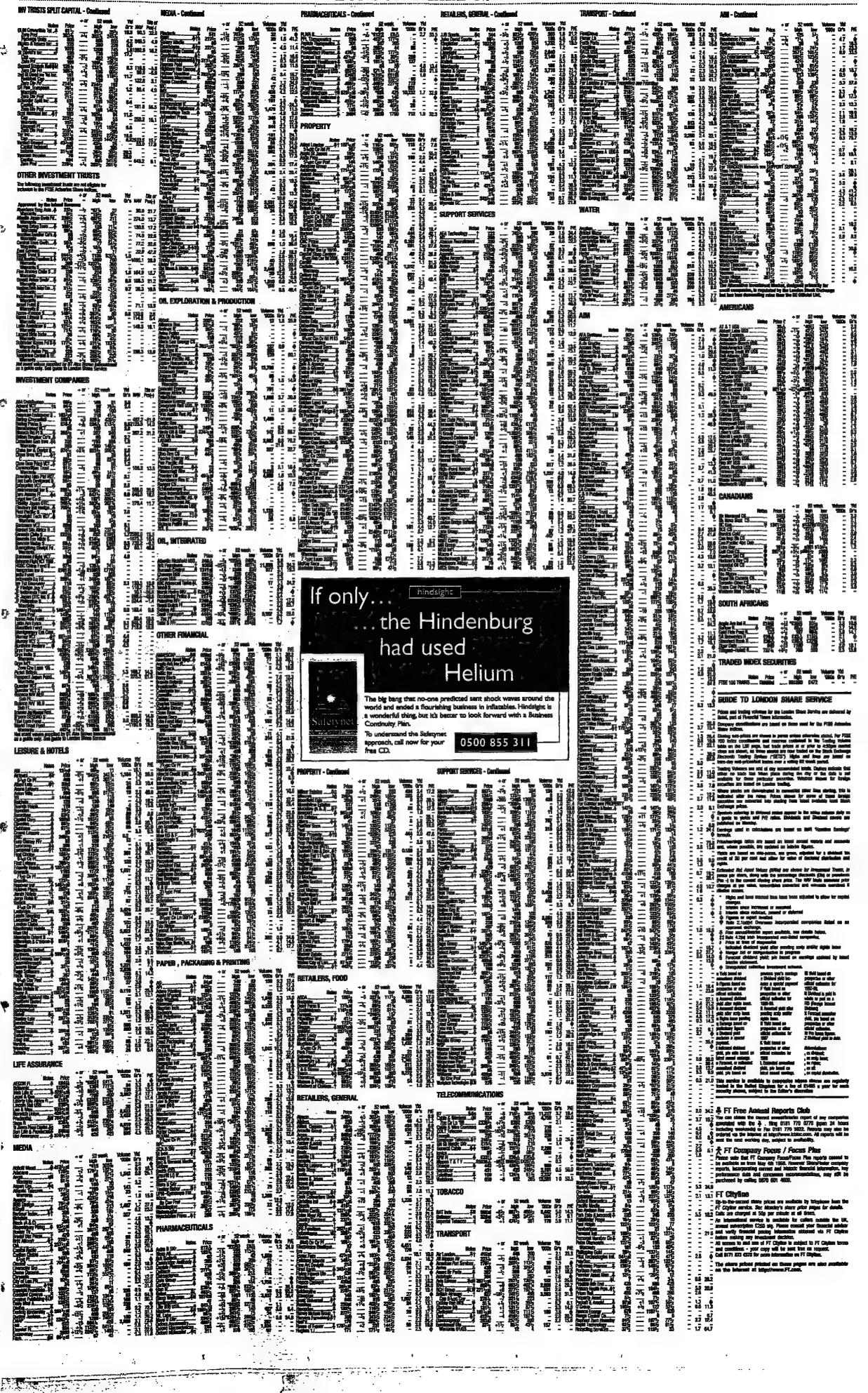


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LONDON SHARE SERVICE



US interest rate fears unsettle equity market

MARKET REPORT by Store Thompson, UK Spek Market Billion

London, along with most suffered from another bourt of interest rate litters yesterday, falling sharply ahead of today's meeting in Washing-Reserve's open market com-

Adding to the market's worries was another twitchy session in Asia, where the continuing problems in Jakarta, riven by riots in recent

ket down more than 4 per Street was looking increas-cent and affected Hong ingly vulnerable. Kong, which slipped more than 1 per cent. On the positive side, Tokyo managed a

And Wall Street failed to come to the London market's rescue, with the Dow Jones Industrial Average slipping back again. Some market observers think it likely to fall below the 9,000 mark ahead of the FOMC

The FTSE 100 lost the 5,900 mid-afternoon when Wall

the big institutions enabled the FTSE 100 to scramble back above 5,800 to finish a difficult session 91.6 off at 5,826.2. At its worst, Pootsie posted a 123.3 decline at

Although uneasy about developments overseas, dealers insisted the London market's undertone remained mark early on and, more to the resilient performance worryingly, fell back of the FTSE 250 and the lat-through the 5,800 level in est good showing by the to the resilient performance

Among the exploration

and production stocks,

Enterprise released the long

developments in the Gulf of

Mexico, but failed to excite the market and the shares

Enterprise said there was

a geological hitch which

would lead to a four-week

Pearson, the media cou-

glomerate that owns the

Financial Times, was the

best performer in the FTSE

100 as the shares moved to a

444%p.

slid 16 to 588p.

delay for data.

But evidence of "chesp" encompassing the leaders buying interest from some of and edged higher to new intra-day and closing records.

"You only have to look at the low turnover in the market today to see that it was more of a mark-down than a sell-off. It is a classic markdown in front of an important economic event. I wouldn't be surprised to see us get back all and more of today's fall if the Fed leaves rates on hold," said one mar-

He also pointed to the continning spate of takeover Scotland, whose shares were

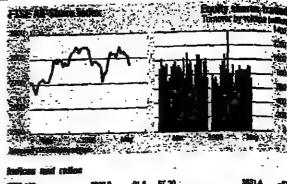
stock market.

developments. The front-line stocks included numerous takeover stories, including day 5.3 easier at 5,792.5, havthe revelation that Asda, the supermarkets group, had held "collaboration discussions" with Kingfisher. Asda shares fell back, with spe-cialists increasingly of the view that the group is on the acquisition trail, while King-

The latter shrugged aside naws, some bullish, some among the best performers the pessimistic stories bearish, right across the in the FTSE 100 after weekend reports that the two Most areas of the market banks had held preliminary were enlivened by takeover talks, although both shot

The FTSE 250 finished the ing been down 10.8 at its But there was no stopping

the FTSE SmallCap which settled 23 higher at a record closing level of 2,751.5, after an intra-day peak of 2,752.S. Other bid talk included lowly 739.7m shares, of Halifax and Royal Bank of which around 56 per cent was in non-Footsie stocks.



Sterling rise hits Glaxo

COMPANIES REPORT By Peter John and Martin Brice

Four-month figures from Glazo Wellcome were broadly in line with broker forecasts, but they still made what one analyst described as "ugly reading" and helped to prompt a fall of 59 to £16.74 in the shares

Paul Diggte of SG Securities said there was little in the numbers to cause surprise and he was maintaining his full-year estimate of

Nevertheless, the 7 per cent sales slide in starling terms to £2.56bn was slightly worse than some people had been expecting and there had been "a tiny bit of speculative run-off", said Mr

sector was also sold lower as dealers fretted about higher interest rates and the damaging effect of a potentially stronger pound. SmithKline Beecham dropped 28% to 679%p - 4 per cent - on heavy turnover of 10m shares; Zeneca fell 47 to C24.54

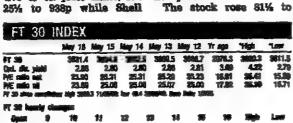
The reverse was true among the smaller biotech stocks, which responded to strong figures and a positive Celiteck lifted 6 to 877%p

after posting interims that Transport dropped 10% to reflected a move into profit. Meanwhile, Cantab Pharmaceuticals gained 20 to 710p in the wake of encouraging results from Phase I

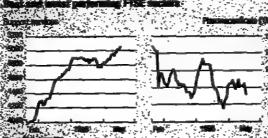
clinical trials of its vaccine for the treatment and pre-vention of genital herpes. The treatment is being developed jointly with

Oil stocks slipped as Brent crude, which had managed to peep briefly above a reassuring \$15 a barrel level last week, ducked back down

BP, the major most sensitive to oil price shifts, fell 25% to 938p while Shell



	May 15	May 15	May 14	No. 11	May 12	W co
SPO begates	88.088	59,732	E3.104	63,063	62,102	48,574
only brook dail?		SML?	1925	2006.1	2940.6	2495.
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the sense beauty	-	80,774	62,902	92,238	\$1,546	
feini kupover (Craft)	-	3638,3	4680.5	3990.7	3917.1	
tion when tracked (mili-	734.7	953.6	1024.4	85L3	1895.8	
indepolet ferteuer (Em)	27.3	18.2	36.8	25.2	25.6	N.
Indopraist also traded	7,775	8,129	8,048	8.122	7,160	10



210.27% after the company announced it would buy Simon & Schuster's education divisions from Viacom of the US for a net \$3.6bm. Pearson said the acquisition would "significantly enhance adjusted carnings

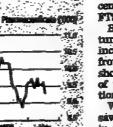
in the first full year" and deliver annual cost savings of \$120m by 2000. Dresdner Kleinwort Benresponded positively to

Analyst Neil Carter said it was worth "over a pound a sooner rather than later. The share on a discounted cashflow basis". Kleinwort's media team has increased its

recommendation from "will" Banking shares were in the doghouse with ABN Amro publishing a cautious note following Priday's news that the Office of Fair Trading was investigating Northern Rock's recently restruc-

tured savings accounts. any decision on deposits could have implications for the rest of the banks, partic-Lloyds TSB, which has a

hig mortgage exposure, fell 27% to 832%p while Berckeys



dropped 49 to £16.74. Northern Rock fell 6% to 548%p. However, mortgage leader on the back of weekend press stories suggesting talks with Royal Bank of

Scotland - up 14 at 985%p. British Energy held relatively steady with some support from Merrill Lynch, which upgraded its long-term stance on the stock from "reduce" to "netitral". The broker believes the dividend will be covered

shares dipped 1% to 545p.

Astin tolks

News that Anda, the super market giant, and King-fisher, the Woolworth to B&Q DIY group, had held preliminary discussions, described as "collaboration" rather than merger talks, although now terminated, triggered activity in food and retailing.

Asda shares slipped 3 to some dealers taking the view that the company seems determined to go on the acquisition trail. Kingfisher, market. One slip-up would meanwhile edged up 5 to

worst performer in the FTSE 50 as recent bid speculation in the stock started to evaporate following weekend press

The shares lost 182% to £19,02% in small volume, as Dresdner Kleinwort Ben- 6% to 56p following a bullish

lighted the stock's 44.8 per cent outperformance of the FTSE All-Share last week.

Brewing stocks were a fea ture in a week that will include a series of results from the sector. Investors

Wolverhampton & Dudley saw its shares marked down in spite of serving up stron-The fall of 9 to 5000 was attributed to the brewer say-

ing second-half sales were

behind expectations. The bearish sentiment spread to Scottish & Newcas tie, which suffered the biggest fall in the FTSE 100 as the stock declined 40 to 890p, of the poorer Footsie per-

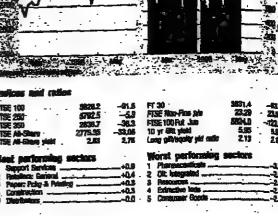
Christies International was the best performer in the FTSE 250 as the shares rose 75 or 24 per cent to 387%p on news of the agreed. 396p bid from French group

Rentokil Initial achieved one of the best performances in the FTSE 100 as the stock gained 9 to 392p, helped by a broker recommendation. Compass, the contract catering group, often mooted as a potential bid target for Rentokil, rose 28 to Fil.15 sheed of interims due today. BT Alex Brown has told clients: "Compass's -recent 180%p on the news, with entry into the FTSE 100 is proof of the market's belief that the shares warrant a substantial premium to the

> Luminar, which was listed at 200p two years ago, gained 39 to 809p amid talk that bro kers were focusing on the potential of its Chicago Rock Cafes to increase earnings

leave the shares looking

Media group Lopex rose



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TRADING VOLUME

WHERE ARE THIS YEAR'S BEST IDEAS IN BUSINESS?

Find out tomorrow...



Please join the Financial Times and Booz-Allen & Hamilton tomorrow night in New York at the Awards Ceremony for the 1997 Financial Times/Booz-Allen & Hamilton Global Business Book Awards. The independent judging panel will announce the winners of the five first-round categories and proclaim the Best Business Book of 1997.

Shortlist

Cantibale with Fork by John Ellington

by Alan Robinson & The New Weakh of Organizations by Thomas A. Strage Doublakes & Nicholas Breaky

Publishing Rodell House Various Corporate Brain by Daneh Zoher

Bentt-Kodh

How-To Book by Paul Tifferry &

Stages D. Peterson by Hugh Davidson Pagain

by Closery Christen Harrard Barison School A Scientist's Tools for Buriage

by Robert L. Spraul Concerning of Secrets of Se Web Sites by David Siegel عامداة صابونة

Cort A Dresso of the The Beaters The Associose Workel Next Generation by Mary Wales in Martin Mayer Transact Tolling Books W.W. Markey FLASCO Barr Black by Frank Postos W.W. Nortee

by Philip Van Ma The Highway by Kon Andrea Times Books

مأشكا مل مأضيا by Philip Anderson & Nabora Yashingan Harrison Buriage School

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Between God and Larry Ellison by Mile Wilson

Being White by Earl G. Gunna

The Free Press. The One Best Way by Robert Kanigal

by John P. Kotter

FTSE Actuaries Sh	are Ind	ices						- 7	The L	IK S	erie:
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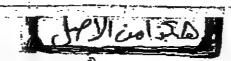
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STOCK

BMW stood out among the gave up SFr5.50 to SFr323.

Russia suffers in international fit of nerves

WORLD OVERVIEW

Russia was the prime casualty on stock markets yesterday as investors continued to be nervous about high-risk markets in the light of the recent Asian cri-

The RTS index fell 11.8 per cent on the day, with trading suspended at one point, fears that the rouble might be devalued. The Russian market fell almost

to overcome with the con- benign data tinuing Indonesian crisis the antitrust case against Microsoft and today's meeting of the US Federal Reserve's open market com-

Most analysts expect the Fed to leave rates where ket continued to take a they are, but press speculation about a move towards a "bias to tighten" has fuelled uncertainty. And some econ-

Microsoft tumbled \$3% to

\$86 ahead of a planned press

ahead of its quarterly earn-

ings release. Cisco Systems

was \$1 higher at \$77 but the Pacific Stock Exchange's

technology index was down

Hewlett-Packard continued

to pull back, down \$2% to

\$67. HP led the Dow lower,

but other shares were

weaker as well, especially

stocks among cyclical sec-

tors. Aluminum Company of

America lost \$13 to \$7312 and

US Treasuries pushed

higher, sending the bench-

mark 30-year bond up % to

1025 and the yield down to

In the banking sector, Citi-

corp climbed \$1% to \$154%

after an earnings report

from the group's Malaysian

unit. In the health sector,

producers of cancer-fighting

drugs reaped huge gains.

Entremed rose \$4% or 13.6

per cent to \$37%, while

Genentech gained \$2% to

MEXICO CITY moved

steadily lower in what deal-

ers described as thin dealing

volumes, "Concern about the

trend of US rates, plus the

shake-out in Brazil, is what

one broker. Telmex gave up

index was off 76.75 or 1.6 per

index closed 25.3 higher at

8.079.4. Industrials added 9.5

to 9.812.3 while golds edged

Africa Life Assurance

jumped 10 per cent to R61

ahead of an eagerly awaited

5.1 lower to 1,036.7.

65 centaves to 21.65 pesos.

cent at 4,709.43.

Union Carbide \$1 to \$5314.

1.00 to 350.01.

5.929 per cent.

São Paulo falls sharply

biggest shocks, racking up a is unsettling us today," said

Johannesburg edges higher

number of negative factors the US, in spite of the recent

"If this were an episode of Lost in Space, the robot would be saying 'Danger, Will Robinson, Danger'." said the team at Nikko

The Indonesia stock marpounding, although trading was light given the recent chaos in Jakarta. The rest of Asia was mixed; Indonesia's neighbours Malaysia and

Markets worldwide had a that inflation is a threat in Singapore were sharply thous for international inveslower, but there was a modest rally in Japan.

Europe struggled to make progress in the face of Asian and US developments and most of the leading markets were 1-1.5 per cent lower. Even the latest restructuring in the banking sector, centred in Belgium, failed to lift spirits, with financial stocks suffering over concerns about their Asian exposure.

carmakers with a fall of

DM65.50 to DM1,941.50 amid

unconfirmed reports the

group planned to introduce

BASF, among companies

reporting first-quarter

results today, picked up 50 pfg to DM80.70, while

Bayer gave up 62 pfg to

DM90.38 and Hoechst edged

20 pfg higher to DM80.18.

Traders said that after

Stage price (FFt)

its new hoxury limousine.

Alitalia finds lift in

tors. According to the inforcountries have had net positive 1998 earnings estimate revisions over the past month - all are in Europe. Earnings growth across

is expected to be a healthy 22 per cent. In spite of that robust forecast, the world's forward

the globe over the next 12

the highest recorded since

ich was down SFr12 at

SFr901 in spite of news that

it expects \$400m in cost

savings from a merger with

Shares of companies

viewed as having a rela-

tively high Asia exposure

were also under pressure.

ABB fell SF174 to SF12,397

MADRID saw Endesa rise

Pta40 to Pta3,550 as the

countdown to next month's

privatisation offer started in

earnest. Yesterday was the

first day for non-binding

orders and the shares ended

Pta40 higher at Pta9,550. The

general index closed 2.03

Written and edited by

Michael Morgan, Jeffrey

Brown, Peter Hall and

ower at 855.7L

SFY197.50.

11 per cent.

the financial arm of BAT.

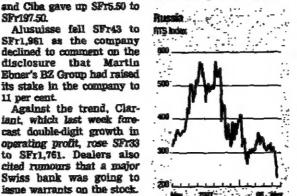
In the US, analysts have

cut their earnings expectations for the third month in a row, with the stock market staying robust, the forward p/e ratio reached a new postsecond world war high of 22.1. IBES adds that the gap between the 12-month forward p/e and the inverse of the 10-year US government bond yield is only exceeded by the overvaluation in the

Moscow plunges 11.8%

Panic selling of highly liquid stock by local investors sent MOSCOW plunging 11.8 per cent to its lowest level in 16 months. The RTS index, which lost almost 15 per cent last week, tumbled another 30.49 to 227.51.

below its high for the year in



mid-March, and down 60 per cent from the peak seen in early October.

Fears of a rouble devalue tion, denied by the authorities, prompted heavy selling by domestic operators as foreigners kept to the sidelines. Analysts said the continuing turmoil in Asia was evaporating confidence in emerging

EMERGING MARKET FOCUS

Karachi awaits bomb decision

Pakistan's sliding stock market continued on its downward path yesterday, on worries over the outlook for the economy if a decision to go shead with a nuclear test brought US-backed sauctions. The KSE-100 index dropped another 51.83 or 3.63 per cent to 1,374.33.

Share prices have fallen more than 11 per cent since last Monday's nuclear tests by India resulted in heightened tension across south

Many analysts say the immediate concern is that foreign investors will pull out of the market at the first sign of US sanctions. As with India, the US administration is bound by law to block IMF loans to any country that tests a bomb.

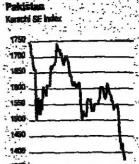
To some extent, the market's weakness is a consequence of widespread pessimism over the government's handling of the country's Independent Power Projects. Nawaz Sharif, the prime minister, has ordered investigations into the financial affairs of the 19 IPPs.

Businessmen say the campaign is meant to harass the private power companies. forcing them to cut what the government says are exorbitant tariffs. In the past week, however,

analysis say that anxieties over the IPP issue have subsided, but the respite will be only temporary at best. Once the anxieties over the nuclear issue subside, many analysts expect the IPPs to re-emerge. The market is soft right

now," said Iqbal Hasan, chief cutive of Karachi's UBS-Global securities brokerage. "It will continue to slide until conditions settle down. though it may not plummet. Any upside potential will probably be seen as a selling opportunity.

Yesterday's falls were widely seen to have been statement from Gauhar Ayub Khan, the foreign min-



later, who was quoted as saving it was not a question of detonated a nuclear device.

"Gauhar Ayub's statement has hurt the sentiment senior analyst at Karachi's Jehangir Siddiqui brokerage. "The market is directionless and will remain so until this situation becomes clear." Businessmen have increas

ingly urged the government not to respond in kind to India, cautioning that the impact on the economy of US sanctions would be harsh. Pakistan's foreign exchange reserves of \$1bn, compared with India's \$30bn, are said to be in no shape to deal with a flight of capital such as withdrawals from foreign currency accounts at local banks.

There are deposits of almost \$10bn in these government's capacity to make repayments. Almost half the deposits are understood to be held in collateral against rupee loans, many of which do not mature for another year.

But even the remaining \$5bn could become an unbearable liability. Analysts say the government may consider imposing emergency measures, such as a freeze on the bank deposits, to prevent a run.

Farban Bokhari

Dow dips on interest rate uncertainty

US shares fell ahead of conference by the software producer. The rest of the today's Federal open market computer-related sectors committee meeting on interwere more mixed. IBM rose \$4 to \$1254. while Dell Com-Labate in New York. puter advanced \$2% to \$92%

Also weighed down by a series of negative domestic and international factors, the Dow Jones Industrial Average was off 38.61 at 9,057.39 by early afternoon. The Standard & Poor's 500 index fell 3.88 to 1.104.85, and the Nasdaq composite was 13.57 lower at 1,833.20.

Although opinions have shifted in recent months. with a growing number of analysts expecting the Federal Reserve to raise interest rates in the near term, many expect the Fed will stay its hand at today's meeting.

Amid uncertaintles in Asia and before the announcement of a widely expected lawsuit by regulators against Microsoft, the market drifted down, but trading was said to be directionless.

The biggest factor is that the market's been in a correction consolidation for almost three weeks," said Alfred Coldman, chief market strategist at A.G.

Latin American centres were

laid low in early trading by

possible rise for US interest

SAO PAULO supplied the

decline of 403 or 3.7 per cent

to 10,503 on the Bovespa

Blue chips led the shake-

out. Telebrás lost 4.3 per

cent at R\$127.80 and Petro-

bras 4.1 per cent to R\$244.

Mining giant Vale do Rio

Doce came off 6.6 per cent to

Shares in Johannesburg

were little changed as the

rand moved lower on the for-

eign exchanges and hopes

for a cut in local interest

rates faded. The all-share

index by midsession.

spite of Milan's falls Early weakness on Wall

Street and continuing tensions in Asia contributed to a weak performance in MILAN, where the index was also weighed down after 80 stocks went ex-dividend. The real-time Mibtel index

fell 825 or 3.4 per cent to 23.153 with shares trading ex-dividend accounting for about 130 points of the fall. Alitalia ended L432 or 7.1 per cent higher at L6,474 after being suspended for excessive gains three times

on the first day of the air-

line's capital increas Banca di Roma lost L175 to L3,574 and BCI was marked L508 down at L9.677; on Friday the two banks had denied they planned to merge. Weakness was seen elsewhere among banks with Banca Intesa L557 lower at L9,998 and Mediobanca

Generali was lower, but still outperformed the market after Morgan Stanley rated the stock a strong buy. The shares eased L33 to

PARIS wobbled lower with

L1,069 lower at L33,324.

the CAC 40 index losing 44.92 to 3,945.31 after a renewed outbreak of Asian worries caught up with the heavyweight banking sector. BNP retreated FFr16.50 to FFr499.50. CCF gave up FFr17.60 to FFr472 Société turnover in the three shares

than FFr900m. off FFr46 at FFr1,014, also F17L had to contend with the news that it planned to bid for the outstanding 37 per

FFr1,165 after earnings that the purchase of Waverly At midsession, the IPC downgrades for this year and next at JP Morgan. Carrefour shrugged off

CARACAS also ran into heavy selling. The IBC index was 163.53 or 2.4 per cent recent weakness, adding Fl 206.30 after an upgrade to PFr45 at PFr3,445. Saint market performer by Gold-Gobain improved FFr21 to lower at 6,753.75 at midses-PFr1,077 as investors warmed to Priday's news of plans to unravel crossshareholdings with Générale des Eaux.

FRANKPURT gave ground, with investors preoccupied ahead of today's Pederal Reserve open market committee meeting in the US and earnings figures due from four Dax companies. The Xetra Dax index 70.65 to 5,343.66.

Hoechst had profited from witching out of Bayer during the floor session, the reverse process developed in late Xetra trade.

AMSTERDAM met with stiffish selling, notably among internationals. The AEX index ended off 17.20 at L15L57.

Fortis Amey lost Fl 4.50 at Générale came off FFr33 at Fl 120.40 as the bid for Gen-FFr1,166, although combined erale Bank of Belgium finally went ahead, Philips was fairly modest at less fell Fl 6 to Fl 197.70 on weakss for US tech shar Suez Lyonnaise des Eaux, Heineken shed Fl2.90 to

KLM was a firm feature adding 50 cents to F176.60 ahead of tomorrow's results cent of Société Générale de statement. Wolters Kluwer Canal Plus lost FFr29 at F13.80 to F1261.90 on news of the US had been finalised DSM showed resilience

easing a bare 10 cents to man Sachs. ZURICH extended early

losses to close 2 per cent lower as interest rate litters returned ahead of today's US FOMC meeting. The SMI index closed 148.0

lower at 7,371.4 with financial shares posting share losses on worries that US interest rates could be head ing higher. UBS lost SFr66 to SFr2,505 and its merger part-ner, SBC, was marked SFr12

AEGON N.V., registered in The Hague, The Netherlands

FINAL DIVIDEND 1997 AND STOCK SPLIT 2:1

Final Dividend 1997

At the Annual General Meeting of Shareholders held on 14 May, 1998, the dividend for the fiscal year 1997 was fixed at NLG 3.71 per common share of NLG 1.00 par value. After the deduction of the interim dividend of NLG 1.40 already paid, the final dividend amounts to NLG 2.31 per common share of NLG 1.00 par value.

The time schedule as published on 19 March, 1998 for the final dividend 1997 is as follows:

15 May through 22 May, 1998 Election period.

2 June, 1998

5 June, 1998

Publication of the determined dividend in shares.

Payment of dividend and delivery of new common shares.

Stock Split 2:1

At the above-mentioned Annual General Meeting of Shareholders, it was resolved to amend the Articles of Incorporation of AEGON N.V. so that each common share of NLG 1.00 par value will be split into two common shares of NLG 0.50 par value each.

Application will be made to the Amsterdam and London Stock Exchanges to list the issued share capital in its new form. Dealings in the shares with the new par value of NLG 0.50 will commence on 25 May, 1998.

In connection with this stock split, shareholders, who want their shares either stamped or converted into new shares, may hand their shares over to N.V. Nederlandsch Administratie- en Trustkantoor (NEDAM-Trust), Herengracht 420, 1017 BZ Amsterdam, The Netherlands; Postal address: P.O. Box 11063, 1001 GB Amsterdam, The Netherlands (CF connection: 3,252), as from 25 May 1998.

Conversion of the common shares of holders of CF-certificates will be handled through those institutions acting as custodians for their shares. The common shares will be available as K-certificates in denominations of 1, 2, 20, 200, 2,000 shares of NLG 0.50 par value to which dividend coupon 13 et seq. are attached or as CF-certificates, which will be available in denominations of 1, 2, 20, 200, 2,000 and 200,000 shares of NLG 0.50 par value.

Members of the Amsterdam Stock Exchange will receive a commission until 31 July, 1998 in order to effect the conversion free of charge for the shareholders until that date.

The Executive Board

The Hague, 15 May, 1998 50 Mariahoeveplein



Resignation call cuts losses

ASIA PACIFIC

SOUTH AFRICA

News that the parliamentary speaker had called on President Suharto to resign enabled JAKARTA to trim its losses late in the session, although the market still closed 4.2 per cent down. Analysts commented that the market would have

THE DAY'S CHANGES

9	o Ghan
Jakarta	-4.2
Karachi	-3.6
Banckok	-3.3
Kuala Lumpur	-3.0
Singapore	-2.3
Hong Kong	-1.3
Sydney	-1.2
Manila	-0.2
Tokyo,	+0.9
Bombay	+1.5
Seoul	

recovered more strongly had the announcement come ear-Her in the day.

The composite Index closed 17.02 lower at 388.92, up from a low of 384.10. Shares in companies controlled by the Suharto family remained under pressure.

Astra, the car group, lost Rp150 to Rp900 on speculation that Bob Hasan, chairman of Nusamba, Astra's main shareholder, could lose his place in the cabinet in a

TOKYO's benchmark Nik-

kei 225 average flirted with the 15,000 level before closing up nearly 1 per cent on

The index traded between 15,069.68 and 15,405.00 to close up 141.61 or 0.9 per cent at 15.384.7.

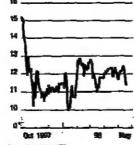
The recovery was not broadly based, however. The Topix index of all first-section shares rose only 2.24 or 0.19 per cent to 1.209.17. Volume was dull at just 320m down, with 554 stocks lower. 509 up and 188 unchanged. Analysts said the market

was supported by buying from public funds and some positive corporate news. including possible share buybacks and a few unexpectedly good profits forecasts for the current year.

Companies announcing their intention to change their articles of association so they can buy back shares include Kaneka, a resin maker, Yamato Transport. and intec, a computer service supplier. Their shares rose 3.7 per cent to Y688, 1 per cent to Y1.581, and 8.5 per cent to Y1,080.

Nikon, the electronics group, dropped 5 per cent after revealing a 50 per cent fall in net profits and the forecast of a further 75 per cent decline this year. The stock closed at Y1,007.

Coca-Cola Amatil Start price (AS)



Takeda, the drugs group, fell Y90 to Y3,570 after it revealed it was withdrawing Avan, a treatment for Alzhelmer's disease. The move follows concern by the health and welfare ministry about Avan's effectiveness.

Nissan Diesel, the object of speculation that it might be taken over by Daimler-Benz of Germany, fell Y15 to Y285 in heavy trading. SYDNEY moved steeply lower in weak volume. Coca-

Cola Amitil, which has a big

Indonesian husiness base.

fell 53 cents or 4.4 per cent to

A\$11.40. ANZ Bank lost 28 the group's exposure to CEUIE to A\$10.60. Telstra rose 8 cents to A\$3.68 for a two-day advance of 5.5 per cent on press reports that the company was set to take a stake in

Partners. The All Ordinaries index came off 32.5 at 2,733.3. SINGAPORE fell on continued regional worries. The

global telecoms group World

30.29 at 1,291.74. Turnove was thin and losers outpaced gainers eight to one. Singapore Telecom

the most active stock, shed-

ding 60 cents to \$\$2.41. BANGKOK fell 12.22 to 357.21 on the SET index after torrid session for the finance sector, which tumbled 12.7 per cent. Dhana Sian Finance fell Bt2.40 to Bt5.90

BONG KONG WAS unnerved by lingering concerns about the situation in Indonesia and ahead of local unemployment figures due after the market closed. The Hang Seng index fell

126.42 to 9,411.97 after hitting a low of 9,368.43. Turnover shrank to a quiet HK\$4.9bn. The heavily traded HSBC Holdings which accounted for nearly 23 per cent of total turnover and was responsible for 71.70 of the index's loss, dropped HK\$5.50 to HKS197.50 on concerns over

KUALA LUMPUR was marked down, tracking a weak ringgit, and the com-

